FINANCIAL TIM

THURSDAY SEPTEMBER 8 1994 Europe's Business Newspaper 3 3 19 19 19 19 19 19

IBM's Europe head quits post after less than a year

Hans-Olaf Henkel, European head of International Business Machines, resigned after less than a year in the post, prompting speculation of radical restructuring in the European operations of the troubled computer manufacturer. Mr Henkel, who was president of IBM Germany until last year, is being replaced by Lucio Stanca, general manager o IBM's operations in southern Europe, the Middle East and Africa, Page 13

ania convicts Greeks of spying: Five ethnic Greeks were convicted by an Albanian court of spying for Greece and illegal possession of arms after a trial that has raised tensions between the two countries. Page 2

Kanter warns on Japanese trade talks: US trade negotiator Mickey Kantor warned that the US and Japan were still a long way from agreement in their framework trade negotiations. Page 12

Benetton team made honest mistake



Flavio Briatore (left). managing director of Benetton Formula, arrived at the international Automobile Feder ation in Paris to hear that his Formula One motor racing team had escaped punishment for tampering with refuelling equipment. The federation ruled that Benet-

ton had made an "honest mistake" in removing a filter which led to a flash fire at July's German grand prix in Hockenheim.

RTZ interim profits up 26%: RTZ, the world's biggest mining company, reported interim pre-tax profits 26 per cent ahead at £427m (\$652m), at the top end of analysts' expectations. Page 13; Lex.

Wellcome drug threat to Glaxo: UK drugs group Wellcome reported successful tests of an anti-migraine drug which could threaten the market dominance of Glaxo's Imigran, which had sales of £116m (\$180m) last year, Page 22

Japan Tolecom shares drop: Shares in Japan Telecom, the country's third largest telecommunications company, fell by 4.7 per cent, pushing the Nikkei 225 index down by 370.18, or 1.8 per cent, to 20,023.8. Brokers had hoped the listing would revive the market. Page 13; Lex, Page 12; World stocks,

Recovery in aircraft market expected: The slump in world avlation markets is almost over and the industry can expect orders for 16.730 passenger aircraft worth \$898bn over 20 years, according to a market forecast. Page 3

Russian military condemns democracy: Russia's senior military officers believe that "western types of democracy are not suitable to Russia" and that the 'main foreign policy task must be to re-establish Russia as a great power", a survey shows. Page 2

'Black market' in CFCs: A "black market" in chlorofluorocarbons is slowing the transition to environmentally friendly CFC substitutes, an executive of UK chemicals giant ICI said. Page 6

Temporary respite for opera director: The Opera of Paris temporarily reinstated musical direc tor Myung Whun Chung following a meeting with appeal court judges, but plans to ease him from the post by paying indemnities stipulated in his con-

Total unchanged despite weak prices: French oil and chemicals group Total reported almost unchanged first-half net profits of FFr1.98bn (\$356m), in spite of weak crude prices. Page 13

Corruption suspected in French business: Two out of three French company chairmen suspect that illegal practices are rife in many companies, a poll in today's Le Monde newspaper shows. More than half of husinessmen believe France should crack down on white collar crime. Page 12

Nosing ahead: Japanese electronics group Sharp is to install an electronic nose into microwave ovens manufactured at its plant in north Wales to recognise when food is cooked. Page 12

Football win for Scotland: Scotland beat Finland 20 in a European Championship qualifying match in Helsinki. The scorers were Duncan Shearer and John Collins

James Clavell dies: Author and screenwriter James Clavell, who wrote the best-selling novei Shogun, died in Switzerland. He was in his seven-

E STEPLING

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STOCK MARKET INDICES

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	1.5468 (1.5496) 2.3953 (2.3904)	Northern Ireland was at the top of the US foreign policy agenda. Mr Gore said a joint statement	Ceasefire from loyalists ObserverPage	by Cir Datriels had her
New York kunchtime: Dow Jones Ind Are	L2127 (8.1946) (2.0039) (2.0039) 78.6 (152.938) 78.6 (78.5) LAR Luncitime: 55245 5.325 99.34 (1.5426) (1.5426) 1.3066 (5.2882)	on Tuesday by Mr Albert Reynolds, the Irish prime minister, Mr Gerry Adams. Sinn Féin president and Mr John Hume. Social Democratic and Labour party leader, "speaks for itself". The statement, issued after a meeting in Dublin on Tuesday, said that the three leaders were "totally and absolutely committed to democratic and peaceful methods of resolving our political problems".	But be said there could be progress until Sinn Fein clarilast week's declaration of a "o plete" end to terrorism. "All that has to be said is Sinn Fein to say quite clea 'Yes, under no circumstances we go back to violence'. The all I am waiting to bear," he s "Unlike other people. I he responsibility for the securit Northern Ireland," Mr Major	which police and are no drew up a programm tarisation in n areas. Mr Martin McGuinn ber of Sinn Fein's rutive, said there have reduction in security response to the ceases and the maintenance of the ceases and the maintenance of the ceases and the maintenance of the maintenance
# Gold Y 9	.2956 (1.2932) 6.965 (98.695) 62.7 (62.5)	Sir Patrick Mayhew the UK Northern Ireland secretary, said that the army and the RUC had	during a visit to the Netherla Mr Major refused to be dr on Mr Reynolds' decision to n	nds. the party had no plan awn its supporters to ta
Austria	Catar QR13.00 S.Arabla SR11 Singapores\$4.30 Slovak RoK\$L50 S. Airica R12.00 Spain Pta225 Sweden Sk1/6 Switz SF43.30 Switz SF43.30 Switz SF50.00	News European News 2 Leader Page International News 4 Letters American News 5 Management World Trade News 3 Observer UK News 6 Technology Weather 12 Arb	Cressword	FT Acusans

Malaysia lifts ban on trade

By Kieran Cooke in Kuala Lumpur and Roland Rudd and Guy de Jonquières in London

Malaysia yesterday lifted its seven-month-old ban on govern-ment contracts for UK companies, in a move which the British government hailed as marking the restoration of normal trade

The Malayslan government gave no reason for ending the ban, imposed in February after London Sunday Times alleged that a UK company had sought indirectly to offer bribes to senior Malaysian politicians in an effort to win a construction contract.

Announcing the end of the ban, Mr Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, said: "British companies are now eligible to participate fully in contracts and tenders. We will consider their hids on merit and competitive-

By James Blitz in Leiden.

Michael Lindemann in Bonn

Mr John Major, the UK prime

minister, yesterday denounced

calls for an inner core of EU

states as Britain and its main

European partners locked horns

Speaking in the Netherlands,

Mr Major spelt out his opposition

to a "two-tier Europe", warning this would lead to "dangerous divisions" among member states.

He defended his call for a

reformed EU constitution that

would give greater flexibility to

individual member countries,

allowing them to decide bow

much they should engage in spe-

cific projects such as monetary

He also called for clear limits

to the amount of power that

should be given to the European

parliament and claimed the par-

iament bad "a long way to go

Delivering the William and

Mary lecture to the University of

Leiden, Mr Major hecame the

first EU leader comprehensively

to reject a call hy the German Christian Democrats (CDU) for

before it wins respect and popu-

lar affection".

union and the single market.

over the community's future.

and David Buchan in Paria

Kuala Lumpur gives no indication of its reasons for calling a halt to standoff

were no conditions attached. We just feit the time was opportune." The decision appears to reflect concern in Kuala Lumpur that

tives which emphasised the harm being caused to both countries.

Mr John Major, the UK prime
minister, said: "I am delighted that the hiccup is now behind us

The Confaderation of British Industry called the decision "very good news". The CBI added that the han had cost some Brit-

Germany and the Benelux coun-

Remarks last week by Mr

Edouard Balladur, French prime

minister, were taken as eodors-

ing the same bard core. In Paris,

bowever, Mr Balladur distanced

himself from the CDU position.

defending his conception of "vari-

able geometry", in which differ-

ent groups of EU states would

come together to pursue faster

integration in varying fields,

such as monetary, military and

Editorial Comment .. Page 11

mans is that I don't think there

can be a central core of the same

countries pursuing faster integra-tion in all fields," he said.

But he stuck by his belief that

the pace of EU integration should

not to he dictated hy the most

reluctant members of the Union.

saw "a real danger in talk of a

hard core, inner and outer cir-

not, and should never be, an

in Leiden, Mr Major said be

French meat from

"Where I differ from the Ger-

■ Boycott was no big deal, says UK industry **■** Celebrations have cautious overtones Editorial CommentPage 11

ish companies business but its immediate impact had not been profound, and British exports to Malaysia had risen strongly in the first half of the year.

Mr Richard Needham, the Brit-

East Asia's largest infrastructure British hidders have also been

business going at the moment in Malaysia which British compa-nies can win in Malaysia. But

you never get an order hy

abusing your customer." Mr Needham has strongly criticised aome British media reporting

The precise cost of the ban to

British exporters is not known.

But one of its main results has

been to exclude British compa-

nias, including GEC, Balfour Beatty and Trafalgar House, from

hidding for potentially highly

lucrative contracts for a new

on Dr Mahathir's government.

sector and for some construction projects. However, the ban has not pre-

vented British companies from continuing to bid for private sectors business in Malaysia. That, along with sizeable shipments of UK defence equipment, appears to have contributed to an increase in UK exports to Malaysia to £667m in the first half of this year, up from £364m in the same period of last year. Malaysian exports to Britain fell to £582m from £774m in the

same period. Malaysia relies heavily on foreign capital to finance an ambi-tious economic development programme. Soma British and foreign investors have expressed nervousness about doing business in a country perceived to be highly sensitive to outside criti-

Additional reporting by Andrew

Shopping buys its contracts in Malaysia's power way into

> By Louise Kehoe in San Francisco

Internet

Home

Home Shopping Network, the leading US cable television shopping network, has acquired Internet Shopping Network, a California start-up company, in a move intended to create the first iarge scale on-line electronic shopping mall, accessible to mil-lions of personal computer users. "The Internet, with its esti-

mated 25m users, presents us with the opportunity to expand our retailing expertise from tele-vision into this important venue," said Mr Gerald Hogan. president and chief executive of HSN. "We are planning a large-scale push into the digital envi-

ronment. With sales in the first half of 1994 of \$548m, HSN is the largest US television shopping company. Viewers can order products demonstrated on HSN shows via the telephone using a credit card.

ISN, founded in June 1993, has been selling goods over the Inter-net, the global information network, for just three months. Sales figures were not revealed but the company said that over 100,000 Internet users had already used its service.

Presently, ISN offers approxi-mately 20,000 computer-related products from nearly 1,000 companies. As an HSN subsidiary, ISN's on-line aervices will be greatly expanded, company offi-

cials said. "Through alliances with well-known retailers, branded manufacturers and Internet service providers, HSN-ISN willbethe pre-eminent electronic merchant in on-line interactive retailing," said Mr Jeff Gentry, president of HSN Interactive.

HSN sees the Internet service outlet for its own products as well as those from other merchants, retailers and catalogue companies. "We see on-line shopping as the forerunner of interactive television," said Mr Peter Kerne, HSN senior vice-president of corporate finance and strategic planning. The acquisition will "give us a viable business in the

Continued on Page 12

ness." Mr Anwar gave no indica-tion of what prompted the yester-day's move. "The Malaysian cabi-Page 3 net made the decision . . . there

the ban was adversely affecting its economy. It follows recent informal UK government initia-

and that we are back to our traditional relationship.

'There is not, and should never be, an exclusive hard core of countries or of policies'

ish trade minister, whn has visited Malaysia several times to seek to end the ban. said: "It is a surprise but I'm delighted at the news. There is at least £2bn.of

international airport south of Kuala Lumpur - presently Southexcluded from tendering for some

Major states objections to a 'two-tier' Europe state must remain "the basic political unit in Europe," and that the European public was wary of over-centralisation and of over-ambitious blueprints for a new European architecture. German Chancelior Helmut

Kohl stood firm, telling a packed Bundestag that the CDU "is and will be the motor of integration in Germany and Europe". "We absolutely do not want that the slowest ship decides the pace of the convoy," the chancellor said, repeating the words

used last week by Mr Wolfgang Schauble, the leader of the CDU parliamentary party and Mr Kohl's de facto deputy. However, Mr Klaus Kinkel, hi foreign minister and leader of the Free Democrats, said: "There must not be a Europe of first and

second class," adding that Ger-many would remain a "reliable team player." Downing Street officials stressed that preparations for the 1996 inter-governmental confer-

ence were still at an early stage and that Mr Major's comments should he seen as a "contribution to a vigorous debate." But they admitted concern

cles, a two-tier Europe. There is about a growing "nostalgia" in France and Germany for an EU exclusive hard core either of centred once more on the com-



By Kevin Brown in London, James Blitz in Leiden, and Jimmy Burns in Belfast

Britain yesterday combined a scaling down of security patrols in Northern Ireland with a fresh appeal for an "unequivocal" permanent ceasefire declaration from Sinn Fein, the political arm of the Provisional IRA.

The appeal followed an apparent endorsement of Sinn Féin's good faith by Mr Al Gore, the US vice-president, who said during a stop over at Shannon airport that Northern Ireland was at the top of the US foreign policy agenda. Mr Gore said a joint statement on Tuesday by Mr Albert Reyn-olds, the Irish prime minister, Mr

already responded to the reduced terrorist threat in Northern Ireland. "Certain things are not in place that were," he said.
In a further indication of Brit-

ish willingness to reduce the security presence. Mr John Major. UK prime minister, said that "a whole range of options will be open to us" once the government is convinced that there will be no return to IRA violence.

Page 6

F Eyes on the prize of ceasefire from loyalists

Mr Adams, "The Taoiseach (Irish PM) and I have worked together and I don't doubt his personal commitment," he said.

However, there were indications that the meeting might delay progress towards the announcement of a ceasefire hy Loyalist terrorist organisations. Mr Jim Rodgers, a Belfast

councillor with contacts in the ioyalist community, said he believed the meeting was viewed hy some terrorists as confirmation that republicans were influencing government policy.

Mr Rogers claimed that the

reduction in security announced by Sir Patrick had been agreed at a secret meeting last week at which police and army chiefs drew up a programme of demilitarisation in nationalist

Mr Martin McGuinness, a member of Sinn Fein's ruling executive, said there had been no reduction in security levels in response to the ceasefire.

Mr lan Paisley, leader of the hardline Democratic Unionist party, accused Mr Major of acting like a dictator. However, he said the party had no plans to call on its supporters to take to the Streets.

Traditional Options...



John Major, with his Dutch counterpart Wim Kok, speaks to the press in The Hague during his visit to the Netherlands yesterday

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Albania jails five ethnic **Greeks** for spying

By James Whittington in Tirans and Kerin Hope in

Five ethnic Greeks were yesterday jalled for between six and eight years hy an Alba-

nian court after being found guilty of spying for Greece and illegal possession of arms. The verdict follows a highly charged trial that has raised tensions between Albania and Greece and will bring a further deterioration in relations between the two countries.

However, Greek officials made clear there were no immediate plans to close the horder or impose a trade lockade against Albania similar to that in force against

The five men are all leading members of Omonia, an Albanian political movement which campaigns for the rights of the country's ethnic minority and has close links to Greece, from where it receives funds. The five were convicted of collaboration with the Greek intelligence service and encouraging secessionist activities among the Greek minority in

They were arrested in April following a border raid from Greece in which two Albanian conscripts were killed. Their arrest opened up long-running tensions between the two countries and revived claims by Tirana that Greece had territorial designs in sonth Albania and hy Athens that Albania is persecuting its Greek minority.

The five were described by the judge as "dangerous men who bave worked against this country". Greece tried unsuccessfully to block the trial, claiming it was politically motivated and aimed at discrediting Greek links with the

In Athens, the government spokesman, Mr Evangelos Venizelos, called the verdict "a very stroog provocation, ontside the bounds of international legal practice and hnman rights", but said Greece would react "coolly, The Greek ambassador to

Tirana has been recalled for consultations, and the government will make a formal protest to the United Nations. However, no further mea-

sures against Albania were announced, although the spokesman said those already in force - mass expulsions of illegal Alhanian immigrants and tighter security along the border - wonld be "intensified". Since the case began on Angust 15. Greece has targeted Albania's fragile economy, which is the poorest in Europe, in an attempt to have the trial stopped. More than 40.000 Illegal Albanian immigrants have been expelled over the past few weeks.

Officials in Athens said Greece would also maintain its veto over Ecu35m (\$42.6m) in European Union economic aid to Albania.

Wages earned by Albanian workers in Greece are a main sonrce of hard currency to many of the country's households. Last year, total remittances from Albanian emigrés was more than \$330m compared with \$125m in visible export earnings.

under pressure to take a strong line against Alhania government elections, which will be the first serious test of the socialist government's popnlarity since it came to power last October.

However, it is reluctant to raise the stakes in the dispute. fearing that the Albanian anthorities could retaliate harshly against the cthnic Greek minority.

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Russian military in troubled mood

By John Lloyd in Moscow

The first extensive survey of Russia's senior military officers reveals a group of men deeply disenchanted with Russia's place in the world and their place in Russia – as well as fearful of the future and

resentful of the past.

Most officers on or above the rank of major thought that without authoritarian rule we cannot overcome chaos"; that western types of democracy are not suitable to Russia" and that the "main foreign policy task must be to re-establish Russia as a great power respected throughout the The poll, carried out for the

Friedrich Ebert Stifftung - the

German social-democratic

think tank - by the Munichbased Sinus polling group in co-operation with sociologists at a Russian military academy, is a unique view of the mind-set of a sample of 615 senior officers, including 60 generals and admirals. Though it shows that they do not endorse the more extreme nationalist politicians and parties - such as Mr Vladimir Zhirinovsky, leader of the Liberal Democratic party - they are overwhelmingly in favour of a strong hand to guide the state and evidently feel that such a

hand is presently lacking. When asked which political or military figure they trusted most, the only two men to achieve more than 50 per cent (and to score less than 20 per cent on a disapproval rating) were General Alexander Lebed, commander of the 14th army hased in the Trans Dnestr enclave of Moldova, and Mr Boris Gromov, the deputy



Russian defence minister Pavel Grachev (left) greeting members of the US Army 3rd Infantry Division during joint military exercises in Totsk. 700 miles south-east of Moscow. The manor

last Red Army officer to leave Afghanistan. Both of them are charismatic, hardline and critical of the present regime: Gen Lebed, who has called President Boris Yeltsin a "nul-

", said in an interview in the FT on Tuesday that it "is just not possible" to create a democratic state in Russia and asked: "What's wrong with a military dictator?"

By contrast, Mr Boris Yeltsin, the Russian president,

with a 50 per cent disapproval rating; and Gen Pavel Grachev. the defence minister, scored around 20 per cent, with a more than 50 per cent disapproval rating

Mr Zhirinovsky scored around 10 per cent, with a 60 per cent disapproval rating, while former Soviet president Mr Mikhail Gorbachev scored 2 per cent, with a disapproval rating of around 75 per cent. The most popular views of

dark, even catastrophic. More than half thought that there would be one of the following aiternatives: mass uprisings and strikes in different regions; the reassertion of a dictatorship; an explosion in a nuclear power station; or a military putsch. Very few believed in successful economic reforms or full co-operation with Nato. though few foresaw a return to socialism, the cold war or a planned economy.

Other less apocalyptic views

reflected in the survey including a high rating for Mr Grig-ory Yavlinsky, leader of the Yabloko group in the state duma (lower house) and a moderate reformist.

The most popular foreign policy goal, endorsed by 55 per cent, was the re-establishment of Russla as a great power enjoying respect throughout the world.

This goal scored just higher than agreement on a world-

French heavyweights beat the bell

the immediate future were

ivil wars are often nas-tier than other conflicts - and the battle now joined between Prime Minister Edouard Balladur and Mr Jacques Chirac to be the governing RPR Gaullist party's nominee for president next year promises to be no exception.

The contest looks like pro-

viding the main political excitement of 1995. It also looks set to cover so much ground, as both men try to be seen to do their utmost to create jobs, as to leave little terrain free for other candidacles. Like, for instance, a possi ble Socialist run at the Elysée by Mr Jacques Delors.

Neither Mr Balladur nor Mr Chirac bas yet formally thrown down the gauntlet in public. Both know the French electorate wants them to stay their hand. Not being gluttons for punishment, two-thirds of French people say in the opinion polls they do not want the election campaign to start before January - a little over four months before the first round of voting on April 23 and five before the final round on

None of France's political parties has US-style primaries to select their presidential candidates, despite repeated suggestions by Mr Charles Pasqua, interior minister, that the governing parties of the RPR and of the centre-right UDF federation, adopt such a system for

What France does have, in excess, is opinion polls. These put Mr Balladur way ahead of Mr Chirac. A recent Ifop surThe two right-wing rivals for the presidential nomination are locked in a battle yet to be officially declared, writes David Buchan in Paris

vey, for example, gives the fired the starting gun anyway. prime minister 60 per cent against 30 per cent for Mr Chirac in a two-man contest for

No wonder therefore that Mr Balladur feels he is sitting tion of President François Mitterrand, suffering from pros-

Mr Alain Juppe, the foreign minister, who is the RPR's sec-retary general, openly put him-self in the Chirac camp. Each camp is now going on to a war footing, led by tal-

Juppe in the Chirac corner, and Mr Nicolas Sarkozy, the

[the prime minister's office]. because no one else wanted it." says a key Balladur strategist. Mr Chirac had occupied the Matignon twice previously, and even if he had wanted it a third time he would probably President Mitterrand. He says

there is no loyalty in the track tate cancer, has given him a budget minister and govern- record of Mr Chirac, who led

Balladur's supporters flatly deny any deal in 1993 whereby Chirac let Balladur get the premiership in return for giving Chirac a free run at the presidency

far more of a headline-catching role in governing the country than normally falls to a French premier. At the same time, the rumours surrounding Mr Mitterrand'a health, which shook the markets a hit yesterday. mean that no one can rule out an earlier presidential election.

In these circumstances, it is no surprise that Mr Chirac is so nervy. He himself is determined to try not to jump the gun. At a congress of young Gaullists cheering "Chi-rac Président" last weekend, he appealed for loyalty from his erstwhile protègé, and declared himself a candidate "in the great national debate" on the presidency, but not actually for the presidency itself. But his supporters went ahead and

ment spokesman, in the Balladur corner - who are staking their careers on the outcome. There is no question that Mr Chirac has a lock hold on the RPR party machine, which he built and has run for the past 20 years. He inspires great affection among close support-ers, and there is a real possibility of the party splitting if Mr

Balladur eventually prevails. The hitterness, typical of every civil war, arises out of the fact that Mr Balladur now turns a deaf ear to Mr Chirac's appeals for loyalty. Mr Balla-dur's supporters flatly deny any deal in 1993 whereby Mr Chirac let Mr Balladur get the prime ministership in return for giving the RPR leader a free run at the presidency. "Balladur got the Matignon

an intra-Gaullist revolt against former prime minister Jacques Chaban-Delmas in 1974 that allowed Mr Valery Giscard d'Estaing to win the presidency in that year. He then showed his gratitude for being made prime minister hy Mr Giscard d'Estaing by running against the latter in 1981. Mr Balladur may lack the

party machine, but an increas-ing number of individual RPR daputies are attending presidential strategy sessions at the Matignon every Friday. In addition he can count on most of the UDF, who prefer him to their nominal leader, Mr Giscard d'Estaing. The long-term result of a Balladur presidency could be the fusion of most of the RPR and UDF into a united French conservative party. Mr

Balladur has urged this in the past, but is now soft-pedalling the Idea so as not to anger die-hard Gaullists further. Even the present vacuum in

the Socialist party plays in Mr Balladur's favour. "Whether Jacques Delors decides in the end to run or not does not mat-ter," says a Balladur supporter. What is important is the prospect that Delors might run," he explains, because the polls show the retiring Commission president reight run Mr Chirac very close, but would be clearly outdistanced by Mr Balladur.

There is, however, a chance that Mr Balladur could find himself tripped up by the economy in which he specialised as Mr Chirac's finance minister in 1986-88. For the moment, the prime minister dismisses the possibility that the recovery in the economy - yesterday reported to have grown by 1 per cent in the second quarter alone - could be choked off by recent rises in long-term interest rates or by his austere budget plans for 1995. With rises of 4 per cent in revenue and less than 2 per cent in spending, he plans a budgat deficit of FFr275bn (£33.5bn) next year, down from this year's

FFr300bn level This will please the international markets. But there is a danger point, an adviser acknowledges. This could come after Germany "rediscovers a certain tranquillity" with the probable re-election of Chancellor Helmut Kohi next month, and "just as we go into the turmoil of our presidential

EUROPEAN NEWS DIGEST

Nuclear fears spur Europol

European Union Interior ministers moved a hesitant step further towards creating a pan-European police agency yester-day, spurred in part by fears of a trade emerging in weapons grade plutonium smuggled from Russia and the former east-ern bloc. But they remain sharply divided over the role and nature of Europol, with Germany and France on opposite sides. The issue is a top priority for Germany, which wants a range of responsibilities, including plutonium smuggling, to come within the agency's remit. Spain insists that counter-terrorism be part of Europol'a intelligence sharing. France and Britain want to go more slowly, and rule out any frontline role for the agency. Both countries, with some support from Italy and Spain, are also determined to keep Europol under national and Spain, are also determined to keep Europol under national governments' control. Their partners want to develop the Maastricht treaty "third pillar" on co-operation in justice and home affairs, which allot a still undefined role to EU institutions. The meeting took up a suggestion by Mr Michael Forsyth, UK home office minister, that a rapid assessment of the plutonium risk be made. David Gardner, Berlin

Russian call on Serb sanctions

Mr Vitaly Churkin, Russia's representative on the Bosnia or vitaly Churkin, Russia stephentario in the discussion of the group was intending to recommend that the United Nations Security Council discuss recommend that the United Nations Security Council addeds the gradual lifting of sanctions against Serbia. British officials, however, said they would consider "a gradual lifting of sanc-tions" only if Serbia's President Slobodan Milosevic accepted UN monitors on the border between Serbia and eastern Bosnia, a view shared by the French and Germans. Belgrade has so far refused. Speaking in Berlin after a meeting of the group. which comprises German, US, British, French and Russian diplomats, Mr Churkin said: "The Serbs in Belgrade must not feel the world is against them. They must be treated as equal partners." He also warned that countries supporting the lifting of the arms embargo on Bosnia "must be prepared to take responsibility for their actions". Judy Dempsey, Berlin

BMW takes on more staff

BMW is to take on 700 full-time production workers in the German car industry's most significant hiring move in three years. The company, which yesterday also unnounced extra Saturday shifts for the rest of the year, said strong orders for new models and rising demand across the rest of its range demanded additional production capacity. Although most of the new permanent jobs are to go to employees on short-term contracts, the move appeared to mark an end of the steady erosion of the workforce which started in 1992. However, it is unlikely to be matched elsewhere in the German automotive industry, where reduction of payroll costs remains a priority. Yesterday, Mr Ferdinand Piëch, Volkswagen's chairman, stepped up his lobbying efforts for government subsidies to bolster car sales. Christopher Parkes, Frankfurt

Poland puts off pensions move

The Polish government is putting off until 1996 the indexing of pensions to inflation rather than wages growth. The unpopular move, planned for next year, would have cut pensions for affected 7m Poles before next antumn's presidential elections. The decision upsets the budget projections of Mr Grzegorz Kolodko, finance minister, and the government's promise to the international Monetary Fund. The country's central bank yesterday reported high money supply figures in August, for the second month running. Taken with higher than expected inflation this summer, said Mr Witold Kozinski, the bank's deputy head, they ruled out interest rate cuts. The finance rates to reduce the debt service burden on the budget. Christopher Bobinski, Warsaw

Gorbachev changes his mind

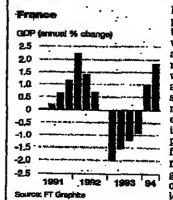
A German government spokesmen said yesterday that former Soviet leader Mr Mikhail Gorbachev had backtracked on his denial that the Soviet Union had insisted that Boun must respect Communist land seizures as a condition for the unification of Germany. The spokesman said Mr Gorbachev made clear in talks with Chancellor Helmut Kohl in Boun that his comments last week meant only that he had not personally discussed the issue with Mr Kohl in the unification negotiations in 1990. Soviet administrators took about 3.3m hectares of land, much of it held by Prussian nobility, and gave it to peasants and collective farms between the end of the second world war and the founding of East Germany in 1949. The original landowners have since tried to reclaim their property but Germany's constitutional court ruled in 1991 that the land could not be returned because Bonn argued its policy was crucial to unification. Reuter, Bonn

France-China trade deal

France and China yesterday signed contracts and letters of intention on promised orders for FFr2.6bn worth of business for French companies in China, effectively ending the commercial chill that followed the 1992 sale of French jets and missiles to Taiwan. The deals signed yesterday by Mr Gérard Longuet, France's trade minister, and his Chinese counterpart. Mrs Wu Yi, are expected to be followed by agreements on some FFr15bn worth of French sales to China, to be signed on Saturday when President Jiang Zemin is received by President François Mitterrand in Paris. These will include one on the construction by Elf-Aquitaine, the French oil company, of a new refinery in Shanghai. David Buchan, Paris

ECONOMIC WATCH

French GDP up 1% in quarter



French gross domestic product grew by 1 per cent in the second quarter compared with the first three months. according to Insee, the national statistics office. This was in line with forecasts, although several economists said consumption and investment growth were at the top end of expectations. Growth in the first quarter was 0.7 per cent, unrevised from the figure given earlier this month. Industrial output gained 2.1 per cent in tha second quarter, insee said , following a 1.2 per cent rise in the previous three-month

74

period. It was boosted by a recovery in energy output and "dynamism" in manufacturing, which rose 3 per cent (2.7 per cent). Consumer spending rose 1 per cent after two stagnant quarters; investment increased by a similar figure in a marked break with the recent trend. Exports rose 2.6 per ceot and imports by 2.8 per cent, Reuter, Paris ■ German M3 money supply growth was revised down by the

Bundesbank from 9.9 per cent to an annualised growth rate of 9.8 per cent in July, final data released by the Bundesbank showed. The bank said final data showed a 6.4 per cent rise from the last quarter of 1993, after a provisional 6.5 per cent. ■ Italy's trade surplus with non-EU countries totalled L2,770bn (£1.14bn) in July, against L2,540bn in June and L3,920bn in July 1993, reported Istat, the national statistics institute. Imports totalled L9,610bn and exports L12,390bn. Istat said imports grew by 15.3 per cent compared with a year ago while exports had increased 1.1 per cent. The cost of living in western Germany edged 0.1 per cent

higher in the month to mid-August from a month earlier and was 3 per cent higher than a year ago, according to federal statistics office figures.

Joker in central Europe's pack

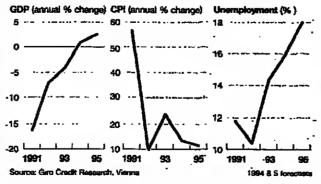
But a change of image could spring from Slovakia's election, writes Vincent Boland

rivatisation and the personality of Mr Vladimir Mečiar, the first prime minister of independent Slovakia, are emerging as the key election campaign which began

this week. For the next three weeks voters face a highly personalised campaign in which Mr Mečiar -10 -will use all his populist charisma to wrest back the power which he lost six months ago after steering an increasingly erratic path through the first 15 months of Slovak inde-

While the neighbouring Czech Republic forged ahead with mass privatisation in 1993. Mr Mečiar delayed privatisation for months only to nush through hurriedly a series of controversial deals in his last days in office which opponents claim benefited close political supporters.

Mr Eduard Kukan, foreign minister in the outgoing coalition government headed by Mr Jozef Moravčík, savs that at least 45 such deals were secretly agreed "literally in the last hours" of Mr Meciar's administration. Several were subsequently revoked by Mr Mornveik's government. As the



election campaign officially got under way this week the government was embarrassed by failure to finalise the details of

its privatisation programme. But ministers and supporters continue to argue strongly that without successful mass privatisation Slovakia will never throw off its image as the joker

in the central European pack. "People want voucher privatisation, they like it," says Ms Brigitta Schmögnerova, a deputy prime minister in the outgoing government. As evidence she points across the border to the Czech Republic, where close identification with voucher privatisation helped secure the re-election of Mr Vaclav Klaus in June 1992 and helped create one of the strongest emerging European economies.

Mr Mečiar does not agree. He

The outgoing government - a

said last week that if he was returned to power at the head of his Movement for a Democratic Slovakia (HZDS) he would scrap the government's voucher privatisation programme and "start all over

parliament's 150 seats. But the prospect of another delicately balanced coalition of five parties, ranging from the

Democratic Left Party (SDL) to pening here but everything hangs on the election results," the veteran centrists of the Christian Democratic Movethe chairman of Robert Flemment (KDH) - wants to prevent ing's Czech and Slovak investhim from doing so. But Mr Mečiar's threat is serious, and ment fund said last week. Even if the HZDS does rehis words are carefully aimed at his large constituency of mainly rural and small-town sation is merely a way for politicians to enrich themselves.

With considerable akill Mr Mečiar, who likes to portray himself as the battling under tion partners. dog, pours scorn on opponents who claim that this is precisely what happened with his own last-minute and secretive privatisation deals. The HZDS has clearly entered the campaign as the best-funded as well as the biggest of the 18 parties and coalition groups contesting and Mr Meciar's image as the architect of independence is still a vote-winner. The party leads in the opinion polls, and could win up to 32 per cent of

Mečiar government is unsettiing many investors, both local and foreign, who have declared an investment interest but are keeping their money in the bank until after the election. "Interesting things are hapemerge as the largest single party, however, Mr Mečiar, who finds it hard to sbare or delegate power and has a record of personal and political clashes with former supporters and allies, could face considerable difficulty in finding coali-

Apart from various fringe nationalist groups his most obvious allies are in the former communist SDL. But the SDL is split internally between its social democratic wing associated with Mr Peter Weiss, the youthful SDL leader who is no friend of Mr Meclar, and the old corporatist wing. The latter works closely with the HZDS in rural areas and may steer the party towards the HZDS to retain its hold on power.

Mr Weiss steered his party into the coalition which deposed Mr Mečiar but diplomats in Bratislava believe that "the SDL is willing to jump either way". If this prediction proves accurate months of negotiations could take place before a government is formed.

British companies have suffered little under Malaysia's seven-month ban but anxieties remain

Boycott was no big deal, says UK industry Celebrations

Contractors relieved that ban has been lifted

By Andrew Taylor and indrew Baxter

The six month boycott by the Malaysian government on British goods and services does not appear to have lost the UK large amounts of business with the exception of hig construction contracts on the new £3bn (\$4.60n) Kuala Lumpur international airport.

Many companies have continued to negotiate for work, in the hope that the ban would be lifted. These yesterday welthe Malaysian government's decison.

The British Confederation of British Industry said: "Some companies will have lost husiness as a result of the ban, but the immediate effect has not been profound."

The CBI said UK exports to Malaysia for the first six months of 1994 had amounted

See Editorial Comment

to £667m, an increase on the same period in 1993 of £364m. Imports from Malaysia for tha aame period declined from £774m to £582m.

A long running ban, bowever, would have threatened large scale construction and davelopment projects. Lord Prior, chairman of General Electric Company said: "Eillions of pounds of British orders and contracts had been in jeopardy until now. . . It is good that we have a lavel playing field again,"

Malaysia is an important market for the group which was part of the consortium which drew up development plans for the new airport. Lord Prior said GEC had not lost work as contracts it had been bidding for had still to be

Other companies have not been so fortunate. A joint venture between British engineering groups, Trafalgar Honse. and BICC had been expected to win the construction management contract for the airport. The contract is understood to have been awarded to KLIB, a Malaysian state body with

been negotiating. Tender lists for the £300m closed without any British

companies being allowed to hid. Japanese, German and Korean groups are thought to be among the 20 contractors seeking the work. BICC and Trafalgar said yes-

terday they were considering tendering for other large contracts at the airport which had still to be awarded. Both companies have continued to carry out a £70m earthworks contract won just before the ban. The length of time it takes to negotiate and place contracts for hig projects such roads.

power stations and water treatment plants has meant that UK companies will have missed few opportunities during the short-lived ban. Rolls-Royce's Parsons Power

Generation Systems had submitted a bid to supply turbine generators for the Port Klang power station before the ban. Rolls-Royce said yesterday that it had kept in contact with the customer, the Malaysia state electric utility and hoped negotiations would resume.

It also hopes that a joint venture with EPE Power of Malaysia to meet tha growing demand for power transmission equipment in Malaysia could also be resumed.

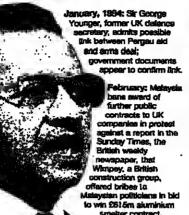
The ban did not include private sector contracts, but It had been feared that non-state owned Malaysian companies would follow the government's lead. Mr Ian Campbell, director general of the Institute of Export said there was no evidence that this had happened.

Major projects which had already started or had just been negotiated with British companies also have been unaffected. The largest of these is a management construction contract with Bovis for a £1.2bn Kuala Lumpur city centre development involving the construction of twin towers of almost 1,500ft which would become the world's tallest

At one stage Bovis had feared that it might be raplaced. A project manage-ment contract with John Laing construction group for building and civil engineering for two gas turbine combined cycle power atations at Pasir Gudang and Paka also was signed just before

A year of trading accusations

October, 1993: UK National Audit Office criticises 1988 government decision to override official advice and give £234m in eld for Malaysie's Pergau dam project; House of Commons public accounts committee faunches inquiry into whether government breached own rules by finking aid to £1bn arms sale to Malaysia.



Mr Alastair Goodlad, UK Foreign Office minister, tells perlament that Malaysia was offered aid in return for

March: UK Foreign Secretary Douglas Hurd fells Commons foreign affairs committee that government

diplomatic efforts under way to try to end trace dispute; Lord Prior, GEC cheirman, heads British business mission to Kuala Lumpur in unsuccessit

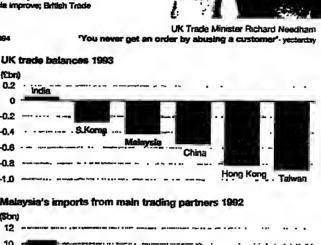
ses hopes of end to ban after talks in Kuela mour; Malaysian deputy foreign minister call ter calls lack

raises hopes of a solution after talks with Dr Mehetir end other

visit to Kuela Lumpur, says ben will be lifted in so: weeks but warns that

delays could trigger UK retaliation.

July: Or Mahathir



US Singapore EC

contracts awarded before the boycott including the controversial £400m Pergau Dam which is due for completion in 1997. Trafalgar House is build-ing a steel fabrication plant in

a joint venture with Edaran

Otomobil Nasional which is

due to open next year. Costain, another British contractor, said it had been pursning work worth about £1hn. including the airport terminal contract at Kuala Lumpur. added: "We will now be looking to see how much of this work is still available. Wa are very hopeful."

The UK Export Group for the Constructional Industries said vesterday it was delighted by the lifting of the ban. "Wa hope that the short-lived nature of the ban means that little harm will have been done to British interests and normal good relations with Malaysia, which have lasted many years, will be

have cautious overtones

A few beers were being poured down the throats of British our last night. The ban on British companies being giveo congovernment - contracts that are potentially worth many bundreds of millions of pounds bad been lifted.

But the mood was not altogetber joyous. Feelings of nervousness persist. One business-man summed things up: "Of course we are happy that it's over. But all it needs is another incident where Mahathir feels his honour has been slighted. The balloon could easily go up again."

In recent years British companies have made considerable inroads in Malaysia. But then came the ban. Companies saw all they had worked for in danger of disappearing. Having courted the Malaysian bride for so long, British business was worried it might not be invited to the wedding.

The ban was announced at the end of February this year. Malaysia had grown increasingly upset about the controversy in Britain surrounding a \$240m aid package for building a dam, and its linkage to multi million dollar Malaysian purchases of British arms.

But the spark that caused the Kuala Lumpur government anger to explode was a report in the London Sunday Times alleging that a British construction company had tried to offer bribes to Dr Mahathir Mohamad, the Malayslan prime minister. Though the newspaper did not allege that Dr Mahatbir bad accepted bribes or had in any way been directly involved, the prime minister interpreted it in broader terms - a personal insult and an attempt to undermine the integrity of Malay-

sia's leadership.
"Wa believe the foreign media must learn the fact that many developing countries. including a country led by a brown Moslem, have the ability to manage their own affairs successfully," said the govern-

the han at the end of February Some Malaysians felt that their prime minister was overreacting but had little choice but to go along with the ban Dr Mahathir, prime minister for the last 13 years, is a very powerful figure. Influencing virtually every aspert of Malaysian life. From the begin-ning it was difficult to gauge exactly what he wanted in order for the ban to be lifted.

"All I want is the truth." said Dr. Mahathir, "But then the British media is incapable of telling the truth," Clearly the Malaysian government felt the British government should do more to disassocure uself from the media reports

tion only added to the confuslou; on the one hand Mr M. nor described the Malaysum action as "not being remotely fied." On the other, Mr Major's ministers - in public at least joined with the massed ranks of British business in laying the blame for the Malaysian action squarely on the Entish

There were other perplexing aspects to the ban, in many cases British companies found it was business as usual. British exports to Malaysia rose by about 80 per cent in the first six months of this year: ironically part of the reason for the jump in exports was the delly ery to Malaysia of British defence equipment such as British Aerospace Hawker fighter aircraft, which was part of the controversial aid/defence package.

But there are plenty of other contracts to win. Malaysia's economy bas grown by more than 8 per cent in each of the last six years. The country plans to spend M\$40bn (\$15.5bn) on various infrastructure projects over the next four years, M\$70bn by the end of

the century. In 1981 Dr Mabathir, piqued at what he perceived as British high handedness on issue ranging from trade to high fees for Malaysian students in Britain, instituted a "Buy British Last"

ft was seven years before that ended. This ban has lasted only seven months.

THE FARNBOROUGH AIR SHOW

Engine makers face hard choices, says GE chief

By Paul Betts, Aerospace Correspondent, in

Aero engine makers face a tough time deciding whether to produce engines for all types of aircraft, Mr Eugene Murphy, the new chief executive of GE Aircraft Engines, the zero engine subsidiary of the US industrial group, said yesterday. He said manufacturers would have to decide whether to launch new engine programmes or opt out of a given engine market if they felt there was not room for three competing

Companies are going to have to make a difficult call. Can they afford to offer engines on every aircraft," he

GE is locked in battle with its two principal rivals - Pratt & Whitney of the US and Rolls-Royce of the UK - to snpply a new generation of large engines to power the 777 twin-engine wide-bodied airliner.

GE and its international partners are spending \$1.5bn

on the development of the GE90 which competes against the Rolls-Trent 800 and the Pratt & Whitney BW4000 to power the new Boeing 777s. Mr Murphy conceded that

GE was facing a very tight achednle to meet the certification timetable for the GE90, which has been selected by British Airways to equip its new fleet of Boeing 777s.

But he insisted that while

the GE90 programme had encountered some "mechanical problems" there were no major design flaws in Its amhitious large engine He said GE was continuing

strive to Improve productivity and reduce costs to position itself strongly to capitalise on the eventual recovery of the civil aircraft

However, he said he did not expect a recovery in the market until 1996, echoing a similar forecast by his UK rival Rolls-Royce. "We are hopeful the market

will bottom out in 1995 and we will be on the road of recovery the following year."

remains disappointing this year, he said GE in combination with its French partner Sneema in the CFM International aero-engine joint venture continued to account for more than 50 per cent of new engine orders in the

UK exports

to Melaysia

too has been unaffected.

John Laing has just finished

a £25m contract at Sibu airport

in Sarawak and is due to com-

plete a £150m contract for 12

hospitals next year. Taylor Woodrow which has

previously managed the con-

struction of sections of the

country's strategic north-south

highway is involved in the con-

phase of a privately financed

light rail system linking Kuala

struction of the £300m first

Source: CSQ/DTI

Jan-June 1994

£687.1m

For the first seven months of this year, GE and CFM won around 70 per cent of all new commercial aircraft engine orders for aircraft of more than 100 seats with firm orders for more than 210 engines. In contrast Pratt & Whitney had taken 25 per cent of orders and Rolls-Royce 3

per cent. The International Aero Engine Group, in which Rolls-Royce and Pratt & Whitney are the main partners, secured 1 per cent of new orders in the first seven

Mr Murphy said GE also intended to step np its globalisation efforts and was targeting such markets as China and the former Soviet Union which he said held strong long term prospects.

Aerospace contracts

Jan-June 1993

£364.5m

areas. Taylor Woodrow owns

15 per cent of the equity with

its partner AEG Westinghouse

of Germany holding a similar

Taylor Woodrow through its

majority-owned Malay subsidiary is understood to bave

maintained contact with the

Malay authorities and hopes to

win further work when the

Trafalgar House and BICC

extension to

built.

UK company forms joint venture with Chinese

Lucas Aerospace, the UK engineering company, is to form a joint venture with the China National Aero-technology Import and Export Company, writes Bernard Gray. The joint venture will be equally shared between Lucas and

CATIC and will have alternating chairmen, but Lucas will have management control of the manufacturing plant. Initially, the joint venture will provide a digital engine control system for the Chinese K-8 basic jet trainer. It will also be the preferred supplier in future engine control, flight control and

power generation equipment. Lucas-CATIC could have a turnover in excess of \$100m within 10 years. □ ROLLS-ROYCE, the UK acro engine manufacturer, has won an order worth about \$90m to supply engines for six Boeing 757 airliners for American Trans Air, the 10th largest US carrier based in Indianapolis, writes Paul Betts.

The order represents a switch by the US carrier from competing US manufacturer Pratt & Witney. □ AIRBUS Industrie said TransAsia Airways of Talwan had placed an order for two more A321 short haul passenger jets, for delivery in late 1996, Reuter reports from Farnborough.

☐ BOEING said East West Airlines of India had ordered two 737-400 passenger jets in a deal worth about \$85m, Reuter reports from Faruborough. The order was part of a fleet renewal programme by the privately owned domestic carrier. □ SHORTS, the Belfast aerospace manufacturer, yesterday announced a contract worth more than £20m to support US Army

military transport aircraft, PA reports. Shorts joins Nehraska based Duncan Aviation in the five-year contract. SIEMENS PLESSEY yesterday won a £70m contract from the Swedish Civil Aviation Administration for the replacement of Sweden's air traffic control centres.

☐ BRITISH AEROSPACE DEFENCE is said to be days away from announcing a new order from Saudi Arabia for its Hawk fighter/ trainer jets, Reuter reports. BAe would not comment.

More than 40 airport towers are involved

Aircraft market expected to see recovery in 1996

in Frankfurt

The slump in world aviation markets is almost over and the industry can expect orders for 16,730 new passenger aircraft worth \$898bn over the next 20 years, according to a market forecast issued yesterday by

Deutsche Aerospace (Dasa). The Daimler-Benz subsidiary said it expected the market would start to recover in 1996 and pinpointed the Asia-Pacific region as the most promising market.

It predicted mergers or closures in the commuter aircraft husiness, which would fee pressure from high-speed

Global annual traffic growth for jets seating more than 70 was likely to average 4.7 ner cent - 3.2 per cent in North Europe and 6.3 per cent in Asia. including 5,310 replacements, total orders would reach 11,300 in this sector.

The European Airbus consor-tium, in which Dasa has a 37.9 per cent stake, would maintain its market share at over 30 per

Russia's Khrunichev Space Centre (KSC) and Dentsche Aerospace are planning a joint venture to arrange commercial satellite launches using a former military delivery mechanism, Renter reports from

KSC sald the 120-tonne Rokot booster, produced hy KSC from 1973 and originally designed for the former Soviet Strategic Armed Forces, would be reshaped to carry communication satellites weighing up to two toones and was capable of delivering two satellites at a

cent for the rest of the current decade, the company said. Demand for a total of 5,430 mainly turbo-prop commuter aircraft, including 2,780 replacements, would be holstered by an annual average traffic increase of 5.5 per cent - 4.5 per cent in North Amer-

7.7 per cent in Asia. Dasa, which supplies the Fokker 50 and the newly launched Dornier 328 regional

ica, 5.3 per cent in Europe and

average 270 commuter craft. rising to around 400 at the end of the forecast period.

The company had already delivered 10 Dornier 328s, had orders on hand for 46 and had 50 options. It expected 350 years, a spokesman said.

According to the Dasa forecasters, who studied more than 500 airlines with an overall fleet of 13,290, competition from high-speed trains would redure potential demand from European airlines for commuter aircraft by 7 per cent -equivalent to 220 aircraft.

While the market for larger jets would be shared by Boeing, McDonnell Douglas and Airbus Industrie as industry consolidation came to an end. over-capacity and price competition would force mergers or closures among the 10 existing commuter aircraft suppliers. Dasa predicted.

Average carrying capacity of jets would rise from 182 seats to 236 by the end of the review period, while commuter aircraft would have 36 seats com-

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The Economist Conferences

LDP in struggle to pick bank chief

By William Dawkins and Emiko Terazono in Tokyo

Japan's Liberal Democratic party, the dominant member of the ruling coalition, has launched a campaign to reassert its political authority over the powerful financial bureau-

cracy.

A senior banker and former top finance ministry official claims the LDP is trying to impose its own choice of a suc-cessor to Mr Yasushi Mieno as governor of the Bank of Japan. Mr Mieno is due to retire at

the end of the year. The post is traditionally arranged in an orderly manner hetween the finance ministry and the central bank, which take turns to place their own candidate in the job. But this time, an element of confusion has crept into the handover of power at one of the world's most important central banks.

Mr Yasuo Matsushita, chairman of Sakura Bank, bas increased his lead as front-runner for the governorship, with the backing of Mr Noboru Takeshita, the former LDP premier, who brought together the three-party coalition at the end of June. The LDP bas been seeking to make its mark since returning to power, after a bumiliating year in opposition, its first such experience in nearly four decades.

Under the previous coalition government, support had been growing for Mr Yosbihiko Yoshino, president of the government-controlled Japan Development Bank, with the backing of senior finance ministry officials and of Mr Ichiro Ozawa, the former government's backroom strategist. Both candidates are former finance ministry officials, in deference to the fact that the present central bank governor is a career central banker.

Numerous other rival candidates for the governorship are mentioned in the Japanese press, a sign of the new openness of the power struggle between politicians and the

Senior finance ministry and central bank officials deny that the LDP is interfering in the choice of central bank governor, which is expected to be decided by Mr Tomiichi Muray ama, lbe prime minister, in November. Officially, Mr Yosbino has withdrawn from the race on health grounds and because he feared that his spoken English was inadequate. Mr Matsushita also has finance ministry support, though from a different group of officials from those who backed Mr Yoshino.

What is clear, however, is that this change of governor at the Bank of Japan is less smooth and more public than

In another sign of the LDP's swiftness in bolstering lts influence, the party has found a new job for a senior Ministry of International Trade and industry official close to the party, who was deposed last year by the former government of Mr Morihiro Hosokawa.

Miti last month informally asked Sanwa Bank to hire the official concerned, Mr Masahisa Naito, former director-general of Miti's industrial policy bureau, as an adviser. A Sanwa Bank official said yesterday Miti's request was unlikely to be refused.

 Japan's Foreign Minister Yobei Kono is to discuss Japan's hid for a permanent seat on the United Nations Security Council with UN Secretary General Boutros Boutros Ghali in Tokvo.

Japan bas expressed an interest in becoming a permanent member of an expanded UN Security Council provided the move has the backing of neighbouring Asian nations.

Vatican makes waves at Cairo conference

The 17-strong Vatican delegation is among the big-gest per capita of any attending the international Conference on Population and Development, given UN figures putting Vatican City popula-tion at 1,000. By yesterday fuming delegates from many countries felt that the Holy See was wielding disproportionate influence in the conference

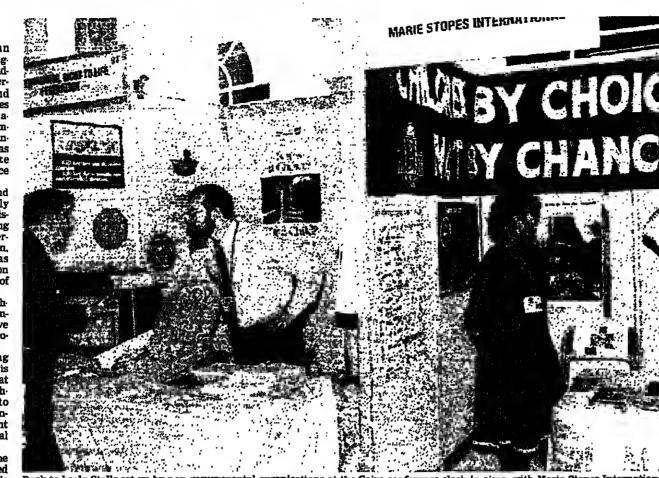
While top diplomats and career lobbyists grudgingly marvelled at the Vatican's discipline and tenacity in holding up consensus on the conference's critical text on abortion, many also asked if it was eppropriate to have e religion represented at a convocation of nation states

"If they are here, the Buddhists, the Moslems and the Hindus should be here, they have no right being here." a European diplomat said.

Such views were heing widely volced. "The Vatican is the only state in the world that has no children and no mothers, but still it has been able to hold up all the rest of the countries in agreeing this important document," one UN official

"Does the Vatican rule the world?" asked an exasperated Mr Maher Mahran, Egypt's population minister. "If they are not going to negotiate, wby did they come?"

In response, Vatican officials said they had every right to be at the conference as they were among the world's biggest providers of bealth care, through almost 100.000 clinics and hospitals. "We may not be a traditional nation state, hut we're tbe only organisation here with responsibilities worldwide," said one delegate. Critics argued, however, that



Back to back: Stalls set up by non-governmental organisations at the Cairo conference clasb in aims, with Marie Stopes International (right), which accepts abortion as a means of birth control, next to International Right to Life federation, which opposes it.

have to govern people with bealth problems and formulate population policies, the Vatlcan was in Cairo principally to defend the tenets of a religion.

Abortion, mentloned no more than a dozen times in the 133-page draft text intended to offer a broed developmental approach to global population stabilisation, is anothema to the Catholic faith. Terms such as "safe abortion" cannot be squared with a faith for which the right of women to have

every abortion is the ending of a buman life. Indeed, one Holy See delegate admitted that, above all. the Vatican wanted to prevent

Cairo declaration could be open to interpretation as offering an internationally sanctioned right to abortion. The Vatican's critics have vehemently argued that no such right is sought, but rather

access to "safe, effective, humane health care," to quote the World Health Organisation, and an acceptance that since the occurrence of abortion is any possibility that the final an unassailable fect, governments should "deal fortbrightly with unsafe abortion as a major public health con-

> draft text. But in baggling over the uneasy mesh of theological and

cern," to quote the contested

the Holy See has proved e tough belligerent. As Ms Francis Kissling, president of Catholics for Free Choice, put it: "They're good they're intelligent, suave, people have been doing diplomacy for 1,500 years. This is the former Holy Roman Empire we're dealing with:

tbey've made and unmade

lcan's strength also derived from having placed effective representatives within national delegations. "They are in with Malta, Guatemala: you don't know where they are," a Euro-

know where they are," a European official declared.

The Vatican is additionally
seen to be ably led, by Archbisbop Renato Martino, the
Holy See's observer at the UN,
whom one official characterised reverently as "the most
hrilliant Vatican negotiator in
the world" Rishop James the world". Bishop James McHugh, bishop of New Jersey and chief interlocutor with the US, has also won grudging

By last night, the Vatican had managed to keep at least 10 allied states from falling in behind the abortion text.

Many (Baroness Chalker, head of the UK delegation among them) felt that the Vatican and these states should simply state their objections and allow the conference to move on "If they're going to enter a reservation but not wreck the conference, surely they should enter one now, she said.

The Holy See's representa-tives vebemently deny they intend to wreck the conference, but some other delegates believe the Vatican's intransigence in Cairo may weaken its position in future world gath-

"They have seriously overplayed their hand," says Ms Kissling, who cites a string of polls indicating that most faithful in a host of Catholic countries have long since forsaken Papal edicts on family

"They will probably make what they see as progress on abortion here, but their stand is not going to help them at the next conferences. It is putting them further out of line with what most Catholics actually

Nigerian minister denies role in decrees

Nigeria's minister of justice said yesterday his ministry was not party to controversial new laws giving the military rulers sweeping powers of arrest, Panl Adams and Reuter report from Lagos.

The ministry has to clear

the air in that it has no knowledge, no copy or any information about the promulgation of these decrees which sweep away our liberties," Mr Oln Onagoruwa, the justice minister and attorney general, told a news conference. He sald it was possible he would resign over the issue.

The three new decrees have extended the powers of Nigeria's military regime to suppress civillan opposition. after the collapse this week of a two-month strike hy oil workers demanding that Gen Sani Abacha hand over power to the jailed presidential candidate Mr Moshood Abiola.

They strip the law courts of the power to challenge the government's authority, extend the term for detention without charges from slx weeks to three months and proscribe three independent daily news-

Ozone layer set to recover

The earth's protective ozone layer will reach its lowest level around the turn of the century and is then expected to recover gradually to near normal levels within about 50 years, according to the latest scientific assessment of ozone depletion released tbls week by tbe World Meteorological Organi-sation and the UN Environ-ment Programme, Frances Williams reports from Geneva.

The assessment confirms that international action to curh production of ozone-depleting chemicels such as chlorofluorocarbons (CFCs) has already begun to slow the build-up of these chemicals in the atmosphere.

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However, it warns that "the ozone layer's most vulnerable period still lies ahead" and that the expected recovery is contingent on strict adherence hy all nations to the Montreal Protocol which bans production of CFCs after 1995.

HK newspaper to print in Beijing

A Hong Kong newspaper publisher has won permission to print its English-language daily, the Hongkong Standard in Beijing, the company said yesterday, Renter reports from Hong Kong.

"We are the first and only foreign-language newspaper to he granted permission to be printed in the People's Repub-lic of China," Mr Jim Marett, the group's general manager said. Publishers Sing Tao Holdings, founded by philanthropist Mr Aw Boon Haw who made his fortune by inventing Tiger Balm ointment, said the China print run would begin today

India broadens investment access

The Indian government yesterday approved 32 proposals for foreign direct investment worth Rs3bn (£62m), hringing to Rs164bn the total since the introduction of its reform programme in 1991 to more than Rs164bn, Shiraz Sidhva reports from New Delhi.

World Bank chief says meeting the \$17bn UN target is 'not the main issue'

Money 'no problem' for population policies

By Bronwen Maddox in Cairo

The World Bank has dismissed fears that lack of funding will prove a serious obstacle to the policies agreed at the global conference on population and development in Cairo. As delegates become optimistic

about reaching consensus on abortion, the issue which has dominated proceedings, their concerna are switching to the question of money. Mr Lewis Preston, the bank's president, said that meeting the United Nations target of \$17bn (£11bn) a year hy 2000 was "not the main issue". Better use of resources and improving women's education were greater problems, he argued.

Last year the bank spent \$2bn on ning has been greeted with scepti-women's education, and \$200m on cism by women's groups. family planning. It expects to spend 50 per cent more on family planning over the next three years. Mr Preston warned that developing countries would probably have to find twothirds of the \$17bn total themselves, as the UN's draft policy document recommends. This implies that developing countries' current level of spending on family planning - some \$5bn a year - wust more than double

Although Mr Preston argued that \$5bn amounted to less than 5 per cent of military spending in developing countries, the likelihood of a sharp increase in spending on family plan-

cism by women's groups.
"It is unrealistic to think that these governments will prefer to spend

money on women's education rather than the latest aircraft technology," said one woman from a Moslem country, who asked not to he named. "They even find it humiliating to have someone suggest that they can't afford the latest western military gadgets because they still have all these ignorant women running around," she added.

Against a background of such concerns, developed countries have announced sharp increases in spending. Germany has indicated it may spend some \$2bn hy 2000. Mr Yokei

Kono, Japanese foreign affairs minis-ter, also told the conference Japan any way connected with programmes would provide funds for family plan-ning "towards a targeted sum" of \$3bn between 1994 and 2000. He said this would be co-ordinated with the 39hn he expected the US to spend in that period.

However, Mr Brian Attwood, administrator of the US Agency for International Development, said "this is not a pledging conference" and that talks of precise sums was inappropriate.

The US will spend \$585m in the year to September 1995 - a sharp increase from spending on family planning under the Reagan and Bush administrations, which were deterany way connected with programmes involving abortion.

In Japan's case, the increase

reflects its sensitivity to allegations it has in the past contributed relatively little to international develop-

UN agencies such as the UN Population Fund and the World Health Organisation - now headed by a Japanese - have found themselves grateful recipients of increases in Japanese contributions while other industrialised countries have cut back. About 10 per cent of US and Japanese spending on family plan-ning will be diverted through UN agencies, delegates said.

Cash-strapped Arafat seeks to hasten aid

His credibility is linked with improving conditions for Palestinians, writes Julian Ozanne

meet Palestinians in Paris today to speed the release of bundreds of millions of dollars of assistance vital to consolidate fragile Middle East A new aid agreement, with

considerably quicker mecbanisms of disbursement, bas become the overwhelming pri-ority of the cash-strapped Mr Yassir Arafat in his struggle to build the foundations of a credible Palestinian state. Tortuous negotiations with

Israel over expanding limited self-rule, the slow pace of international aid, the delicate internal political situation and the overwhelming problems of poverty, unemployment and decayed infrastructure all present formidable challenges to a sustainable peace.
On the positive side, the

9,000-strong Palestinian security forces appear to have taken firm control. Mr Arafat is still enjoying the honeymoon of his reunification with

his people; the Palestinian day to-day difficulties.
National Authority is slowly First, be has had to learn taking shape huilding its technical capacity; and the peace process is moving forward with the extension of self-rule over the main services in the stilloccupied West Bank

But economic expectations are bigb and the tangible achievements few. Some economists believe the standard of living in Gaza bas declined substantially since Israel redeployed its forces out of the bulk of the Strip last May and some prices have risen 50 per

A large part of the responsibility for the deteriorating ecouomic situation rests with Israel, which continues to deny thousands of Palestinian migrant workers permits to travel to their jobs in Israel. But discontented Palestinians will blame Mr Arafat for their distress. Running the

some hard lessons about international economics and the tortuous mechanisms of the

aid community.

Mr Arafat believed that once be was back in Gaza, the millions of dollars of aid pledged by donors would flow quickly. It has not and economics has become both the buzzword and the major beadache of his

Donors, reluctant to fund administration and policing costs from taxpayers' money, and sceptical about the PLO chairman's financial dealings in the past, have insisted on a complex system of accountability. Dishursements from the Holst Peace fund, set up to finance the salaries and running costs of the embryonic Palestinian National Authority and technically worth \$13m (£8.6m) a month, have been

decrepit Gaza Strip was never going to be easy but Mr Arafat has been overwhelmed by the slow.

Slow.

Donors have insisted on the presentation of audited

accounts and receipts before releasing tranches from the

The Palestinian Finance Ministry took time establishing itself to meet the requirements and is still constrained by a lack of technical expertise. International aid for the security forces worth \$11m has been released hut a regular system for funding has yet to be developed.

The United Nations is preparing to administer a "cop fund" worth \$7m a month to pay salaries and running costs, but funds may be difficult to gather. Donorfunded projects have also been slow in materialising.

Japan has agreed \$15m for police housing and a general clean up of Gaza, the European Union signed a package contrihuting \$1.5m to the clean-up operation, and the World Bank yesterday signed a \$30m loan agreement for sewage, water. energy and transport projects.

Part of the problem is with Pecdar, the Palestinian agency responsible for executing projects with donors over which Mr Arafat initially exercised firm personal control. World Bank criticism forced him to cede some of this control. , but Pedcar officiala say international criticism encouraged

ministers to attack the agency and undermine its programme.
These issues will be discussed in Paris where it is hoped that the Holst fund will be expanded by up to \$6m-7m a month to help meet the additional costs of taking over West Bank services and finance a revised budget deficit of \$25m a month. But continued failure to make quick improvements in Gaza's living standards could have serious political implications.

"We have to be patient but for bow long?" asked Mr Nabil Abu Irdeineh, an Arafat adviser.
"Expectations must be met

and our people cannot wait for

know what will happen. If things go on like this, it is giving good material to the oppo-

Although the Islamic Hamas group opposed to peace with Israel undermines the Palestin-ian authority by providing better social services, the PLO, for the moment, is still gaining from the popularity of its return and the removal of the worse abuses of Israeli occupation in Gaza. But Mr Arafat must tread carefully with Hamas, which ultimately is bent on destroying the PLO and establishing an Islamic state from the Jordan River to the Mediterranean.

In the end, the strength of the opposition will depend on how successful Mr Arafat is in removing the glaring economic conditions which breed discontent and extremism. Pressing forward with democracy and winning more territorial gains from negotiations with Israel will also be vital.

A committee of the Finance Ministry, which had cleared the proposals, said in a statement that some of the investments had projected export earnings of nearly Rs7bn over a period of five years. Projects include the establishment of a bolding company, BPL Finance, by Sanyo Electric of Japan and its Indian partner,

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Japanese hosts likely to face diplomatic embarrassment

Taiwan accepts invitation to Asian delay elections Games in defiance of China

By Laura Tyson in Taipei

Taiwan'a President Lee Teng hui has accepted an invitation from the organisers of the Asian Games to attend the event next month in Hiroshima, in a move which will emharrass the Japanese government and anger China China insists it will boycott

the region's premier sporting

event if Mr Lee is permitted to

attend. China regards Taiwan

as a rebellious province and Mr

Lee as its illegitimate leader.

Mr Raymond Tai, presiden-

tial spokesman, told a press the president merely wished to

thet Mr Lee had accepted the invitation from Kuwalt's Sheikh Ahmad al-Pahad, president of the Olympic Council of Asia, in order to "promote world peace and harmony", More than 7,000 ethletes from 42 countries and territories are due to compete in the games from October 2 to 16. Talwan's foreign ministry meanwhile issued a statement

saying that Mr Lee's accep-

tance had "nothing to do with relations between the Republic

of China and Japan" and that

conference in Taipei yesterday attend the event. Tensions have been escalating over the matter for the last month. On Tuesday Mr Tomlichi Murayama, Japan's prime minister, said Mr Lee's visit to Japan "may be difficult to realise".

The ebsence of Chinese ethletes, considered the best in the region, would be a severe blow to the success of the games. Granting Mr Lee permission to alight on Japanese soil, even as an ordinary tourist rather than as a bead of state, could also provoke diplomatic repercussions.

recognition from Taipel to Beijing in 1972, officially affirming Beijing's claim that Taiwan is a part of China.

Taiwan has threatened to boycott the games if Jepan prevents Mr Lee from travelling to Hiroshima. "We don't rule out the possibility of boycotting the games if our national dignity suffers a serious hlow, said Mr Chang Feng-shu, chairman of Taiwan's Olympic Com-

Taiwanese legislators bave urged Japan to allow Mr Lee to attend, arguing that politics should not interfere with sport.

Tajiks agree to

Tajikistan yesterday postponed presidential elections sched-uled for later this month, bowing to pressure from Moscow to open the field to opponents fighting a guerrilla war against

the government. The Tajikistan parliament voted overwhelmingly to delay the September 25 elections until November 6.

lt was unclear, however, whether Mr Rakhmanov was genuine, given that he failed to lift a ban on the main organised opposition, the Islamic Renaissance party and the Democratic party. He merely told parliament: "We want as

many candidates as possible to contest the elections, including those from the opposition."

If genuine, it would be a significant step toward ending a guerrilla war with opponents based across the border in Afghanistan by drawing them into the political process.

The vote follows intense pressure from Moscow and neighbouring Uzbekistan -both worried about the spread of instability - to end the fighting. Mr Rakhmanov is almost entirely dependent on Russian economic and military support to prop up his government, particularly the 25,000 Russian troops stationed in

Clinton puts his stamp on legal system

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Contract Contract

President Bill Clinton may be having mixed success in persuading Congress to pass the laws he wants, but he is making more progress at putting his stamp on tha men and women who will interpret those laws.

Already, Mr Clinton has won Senate confirmation for 86 of his nominees to ha fedaral judges, and White House officials hope they may be able to squeeze another 40 or so through in the next few weeks before the Senate hreaks up ahead of November'a congressional elections.

That would not only make a dent in the sizeable backlog of unfilled jndgeships that Mr Clinton inherited from President George Bush; it would also go some way to changing the complexion of the federal judiciary away from the conservative nominees of Mr Bush and President Ronald Reagan.

That includes Mr Clinton's two nominees to the nine-member Supreme Court, Justice Ruth Bader Ginsburg and Jus-tice Stephen Breyer, the first two justices nominated by a Democratic president since President Lyndon Johnson. In ideological terms, the

change is not stark. nominees have aroused much opposition. Most have been, like Mrs Ginsburg and Mr Breyer, moderates of unques-

Cubans By Canute James in Kingston Tha Cayman Islands will This is in contrast to the Jusrepatriate most of the 395

fields ranging from civil rights to anti-trust the Clinton admin-istration has diverged sharply from the policies of the Reagan and Bush years. The biggest confirmation row so far came over Judge Rosemary Barkett, a former Catholic nun from Florida whose reservations about the

tice Dapartment, where in

ally won confirmation to a seat on the 11th circuit federal appeals court, which covers Florida, Georgia and Alabama, Another nominee who has aroused some controversy, Judge Lee Sarokin, has yet to

attack. But Ms Barkett eventu-

be confirmed. Mr Sarokin was removed in 1992 from a liability case against a cigarette company by the 3rd circuit appeals court to which he has now been nomi-

The first of 10,000 Cuban refugees due to be airlifted from Guantanamo to Panama were In diversity of background, however, Mr Clinton's selections differ radically from tha moved earlier this week, but Panama's government is only allowing the refugees to be white males chosen ovarwhelmingly by Mr Reagan and Mr Bush. housed for six months as a humanitarian gesture.

Meanwhile, Mr Ricardo
Alarcon, head of the Cuban

Among the judges so far nominated or confirmed, Mr Clinton has already picked more women than Mr Bush did in his whole four-year term, and over one-third more than Very few of Mr Clinton's Mr Reagan in eight years. The 28 black Americans he has nominated beat by almost 50 per cent the combined Reagan-Bush total.

tary of state, said yesterday. The Cayman Islands are 120 miles south of Cuba and small numbers of refugees have been arriving over the past two years. The flow increased recently, with 56 arriving last weekend, bringing the number since August 10 to 286. Most of the Cubans are in a special camp and others are kept in the prison. Tha Islands' administration said last week that this year's refugee budget had been exhausted.

tive but to repatriate the

Cubans "classified as eco-

nomic migrants. . as the US

authorities are unwilling to

accept Cuban migrants from

Cayman". The move highlights Wash-

ington's difficulties in per-

suading Caribbean and Latin

American nations to halp

house the growing numbers of

delegation negotiating with the US over the flow of Cuban

boat people, was returning to Havana for consultations, Mr

Warren Christopher, US secre-

Mr Gore said the British embassy in Havana would tell Cubans planning to flee to the Cayman Islands that they would not be allowed to stay.

Canny Menem wins second shot Cayman Islands to But new constitution could send back backfire against the president says John Barham

A tution is almost tailor-made to suit the interests of two men - Presi-Cuban refugees in the British dent Carlos Menem and his old rival, Mr Raul Alfonsin. the

colony and will not accept any more, said Mr Michael Gore, the colony's governor. opposition Radical party leader and former president. This follows the US rejection They negotiated in secret a package of constitutional amendments in which Mr of a proposal from the Islands' administration that the Cubans be transferred to refu-Alfonsin anpported Menem's central objective -lifting a constitutional ban on gee centres in either Panama or the US naval station at successive presidential terms -Guantánamo Bay in southeastern Cuba.
Mr Gore said the Caymanian
administration had no alternain exchange for greater powers for the opposition, the legisla-ture and the judiciary.

Mr Menem is now free to stand for re-election to a second, four-year, term in May

However, the reforms which came into force last month, are not popular. Mr Rosando Fraga, a pollster and political commentator, says few people believe the reforms are essential. "The only reason for reform is Menem's re-election. The other clauses are only there to justify this." Mr Menem's positive image has now dropped below 40 per cent from over 50 per cent last

December. This has benefited the Frente Grande, an alliance of left-wing parties, ecologists and disaffected Peronists and Radicals whose support has grown strongly through opposition to the reforms and Mr Menem's re-election. Its growth threatens the balance of interests the Radicals and Mr Menem's

Peronist party wrote so carefully into the new constitution. Take the new election rules.

rgentina's new consti- In future, the president will be elected directly - replacing the old US-style electoral college. Elections will be held in two rounds, unlass the winner takes at least 45 per cent of the vote first time around. Alternatively, the leading candidate would win with only 40 per cent of the votes if the run-ner-up is more than 10 percent-

> This was designed to help the Peronist party, which nor-mally polls over 40 per cent of the vote. But unless his image improves. Mr Menem could have to go through a bruising second-round vote, and his likeliest contender would not be a Radical, but Mr Carlos "Chacho" Alvarez, the Frente's telegenic leader, who boasts a rating of 24 per cent.

The new constitution adopts semi-parliamentary form of government which Mr Alfonsin hopes will give Congress greater leverage over the government. Under the new rules, the president will appoint a cahinet chief, similar to a prime minister, to run the government's day to day business. Congress will be able to sack the cabinet chief with a simple majority in the Senata and

Chamber of Deputies. The difficulty with this innovation is that Mr Menem has already said he will not cede fundamental presidential powers. Tha cabinet chief could therefore become either an irrelevance or a source of friction between the president and

that the 48-member Senate be



Menem (left) and Alfonsin did a deal in secret on constitution

increased by half, with the new members coming from the opposition parties in each of Argentina's 23 provinces and the federal district of Buenos

In addition, Congress gains new powers to reject presidential decrees, control the federal audit office and participate in running the judiciary. A new system allowing congressional committees to legislate virtually independent of the floor of the Senate or Chamber of Deputies is intended to increase the snail's pace of lawmaking.

However, the ruling Peronists dominate both chambers of Congress, so it is debatable how effective these added powers will be. Furthermore, the influential congressional committees could fall further under the sway of special interest groups.

The constitution includes Mr Alfonsin also demanded new direct democracy clauses. Anyone who gathers the signa-

tures of at least 3 per cent of the electorate can directly submit a bill to Congress. Congress can also call referenda which if approved, cannot be vetoed by the president. The president can also call a refer-

not binding. The courts also win greater independence. Mr Menem's domination of the judiciary -by packing the Supreme Court, or picking party hacks as judges – is deeply unpopular. A new independent council of magistrates comprising politicians, lawyers, academics and eminent persons will take over administrative control of tha

endum, although its result is

and select judges. Tha council's detailed workings will be decided by a congressional law, which the Peronists will be sure to construct as liberally as possible. There is always the danger this body will be hijacked by the

courts from the Supreme Court

parties, undermining its effect

The governors of Argentina's 23 provinces have also won important new rights, eapecially over sharing federal taxes. At the moment, a complicated formula regulates sharing of federal tax revenues with the provinces.

The governors will prohably get more money and win greater independence from Buenos Aires, strengthening them in their battle with Mr Domingo Cavallo, the economy minister, who demands they reform their oversized and corrupt public sectors.

Argentinians have followed the reform process with little interest. Many people think that instead of rewriting the constitution - this is the third reform since 1949 - the politicians should first learn to observe the original 1853 con-

Chiapas unrest worsens

A regional leader of Mexico's opposition Democratic Revolution Party has been shot dead in the troubled southern state of Chiapas, Renter reports

from Mexico City. Mr Roberto Hernandez Paniagua, who was the centre-left party's head in the town of Jaltenango de la Paz, was shot several times as he cycled to a school where he was a teacher.

The shooting followed several days of growing unrest in Chiapas, where PRD support-ers have protested at the

results of the state's gubernatorial election on August 21. The PRD claims its candidate won the race but that the longruling Institutional Revolutionary Party was given the victory because of massive electoral fraud.

Labour party sweeps to power in Barbados

By Canute James in Kingston

Mr Owen Arthur, the new prime minister of Barbados, says his administration will not devalue the island's currency, despite charges made by his political opponents in the campaign for Tuesday's general election on the east-ern Caribbean island.

Mr Arthur, a 44 year-old economist.

was sworn in last night after his Barbados Labour party won 19 of the 28 seats in the lower house, ending 10 years of rule by the Democratic Labour party.
Mr David Thompson, leader of the DLP
and finance minister in the outgoing
administration, is the opposition leader. Responding to persistent charges from his political opponents that he planned a devaluation of the Barbados

dollar, which has been under pressure intermittently over the past four years, Mr Arthur said the currency's parity, fixed by the government, would not be changed. The government's priority was a reduction in the island's 22 per cent unemployment rate, he said.

The election was called 15 months before it was constitutionally due, after Mr Erskine Sandiford, the former prime

minister, lost a vote of no confidence in parliament when rebellious cabinet members, critical of his leadership, sided with the opposition.

Mr Arthur's immediate task will be

finding measures to support the moderate growth which the economy is experiencing following three years of stagnation because of poor performance by tourism and sugar, its main pillars.

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PC's, you'll find it's been developed to make more of your



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launch TV for business

By Raymond Snoddy

Flextech, the fast-growing media group controlled by TCI and Dow Jones, publishers of the Wall Street Journal will today announce the creation of e European Business Channel.

The London-based channel will be launched in the first quarter of next year and begin hy transmitting 18 hours a day before moving to a 24-hours a day service. It will be carried on the Eutelsat satellite system and will broadcast to cable networks and satellite

lishes all over Europe. The plan is to launch a dual service - a conventional ser-vice of business news and features with material from Dow Jones businese televicion channels in the US and the Asian Business Channel in which TCI is an investor.

There will also be a more specialist digital service to be hroadcast direct to computer screens. This is likely to compete with Reuters Financial Television which launched euch a service aimed at foreign exchange, debt and treasury financial markets in London. Apart from regular hriefings the Renters service only transmits when it has potentially market-moving information to

Several nnsnccessfn attempts have been made to launch a Enropean business channel. Apart from segments of financial and business news such as that provided by FT TV for NBC Superchannel - or very epecialist services there is no round-the-clock business channel in Europe.

In Fehruary Flextech moved into the ITV system for the first time by buying a 20 per lowest level for 27 years in cent stake in HTV for £27m. July and the hroadest inflation

Flextech to CFC black market revealed

By Clive Cookson Science Editor

An "amazing hlack market" in chlorofluorocarbons is slowing down the transition to environmentally friendly CFC substitutes, an executive from ICI, the UK chemicals giant, said yesterday.

As a result, CFCs will continue to destroy the protective ozone laver in the upper atmosphere for longer than scientists had predicted.

Mr Michael Harris, external relations manager of Klea, the ICI business making CFC substitutes, told a British Association press conference in Loughborough, central England, that illegal CFCs were flooding into Europe, as the European Union similar to last year." phased out their production Dr Harris said his informaand legal importation.

A ban on CFC manufacturing takes effect in the European Union at the end of this vear and in the rest of the world at the end of 1995. The international agreement

to phase out CFCs followed scientific evidence that they were destroying the ozone laver. which protects the earth from harmful ultraviolat radiation. Dr Joe Farman, who originally discovered the seasonal "ozone hole", told the meeting

lost over the Antarctic between

August and October last year.

strongly," he said; "It's looking

were reaching western Europe illegally, he estimated. He could not say where they were manufactured, though it is believed that eastern Europe or Asia are likely sources. "The big high-profile users have switched to CFC substithat 70 per cent of ozone was tutes, not only for public rela-

tions reasons but also because

they want to be np with the

new technology," Dr Harris

tion about the CFC hlack mar-

intelligence and talking to the

user industries." Air condition-

ing and refrigeration compa-

nies are large-scale CFC users.

Thousands of tonnes of CFCs

The black market relies on large numbers of small CFC users who do not want to make changes in their equipment to use the new substitute chemicals. And CFCs still cost only half as much as the substi-

Dr Harris blamed governments for "losing interest in the ozone issue just at the time when we need the most draconian monitoring and enforcement to make sure that we really are getting rid of CFCs."
He added that all the tech-

nology and manufacturing capacity was in place to provide eafe eobstitutes for all applications of CFC without causing any disruption to

Chancellor and Bank of England governor meet on interest rates Monetary report adds to pressure

By Peter Norman and Alison Smith

Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England, yesterday reviewed UK official interest rates with most City of London analysts predicting that they would stay unchanged for the time being.

However, tha possibility of an eventual rise in base rates from their current 5.25 per cent was underlined by the Treasury's latest monthly monetary report which said recent indicators pointed to a further etrengthening of economic activity.

The report, prepared for the meeting, highlighted the dilemma facing the Treasury and bank. On the one hand, underlying inflation was at its

product deflator - at its lowest for 31 years in the second quarter. But growth - revised up to 3.7 per cent in the year to the second quarter - was the strongest since the final quar-

"Monthly indicators point to a further strengthening of activity," the report said. It cited continuing growth in retail sales, manufacturing output, output expectations and falling unemployment.

Yesterday, the Halifax Building Society, the UK's largest mortgage lender, volced Its fears about the impact of an interest rate increase on the fragile recovery in the housing

Announcing the society's interim results, Mr Jon Foulds, chairman, commented that confidence was lagconsumer ging well behind the upturn shown in offical statistics, "We

are conceroed that any rise in is safely out of the way. interest rates would damage a very delicately poised housing market recovery," he said. Mr David Gilchrist, corporate

development manager, said that the society was expecting some recovery in the autumn. But if there were an interest rate rise and perhaps a further tax increase around the time of the Budget in late November, the housing market could remain depressed through the beginning of next year.

As usual, the Treasury

report gave no insight into official thinking on interest rates while officials refused to comment on yesterday's meeting. But City analysts suggested that the chancellor of the exchequer would be unlikely to opt for a pre-emptive interest rate rise at this stage and might prefer to wait for November, when next month's Conservative party conference

The chancellor's next mone tary meeting with Mr George will be in less than three weeks on September 26. A new statistical system for predicting future inflation

trends was unveiled yesterday

by a City of London bank amid

claims that it provides a more reliable guide than the current methods used by the Bank of The eystem, developed by hroker Goldman Sachs, sets out to create leading indicators for inflation by using a com-

posite basket of economic data. Goldman Sachs argues that the system is needed because the separate indicators currently used by the Bank of England to determine when an interest rate rise might be required for the UK economy are not providing a particularly reliable forecasts of future inflation trends.

Britain in brief



New code for links with schools

The Confederation of British Industry, the employers' organisation, published a new code of practice for building links between companies and schools today, and set a target for all its members to have links with education by the year 2000.

It said companies ehould agree measurable goals for their school links, which should be managed "as rigorously as any business project" and assessed by Ofsted, the government school inspectorate.

Mr Ian Dixon, chairman of the CBI's education policy panel, said: "We can - and must - do better. The challenge now is to maintain the momentum and to improve the quality, particularly in planning, monitoring and evaluating links."

The announcement followed publication of research by Cellnet and Motorola for the Institution of Electrical Engineers, which found that secondary school pupils did not find science teaching relevant, and were deprived of 'real life" role models to make science and technology interesting.

Luxury hotel for Belfast

Hilton International, the world's leading hotel group, which is owned by Ladbroke Group, yesterday announced plans to build a £17m luxury hotel in Belfast city centre. The hotel will be one of the largest developments in the Laganhank area. Belfast's

main inner city project. Hilton is linking up with Ewart, the Belfast-based property and investment company, to build the 187-room hotel. The balance will be in grants from the Laganside Corporation, with support from the Northern Ireland Tourist Board.

Development of the 15-acre Laganbank site is expected to be complete by 2000 at a cost of around £130m. The schema

conference centre offices. shops and a multistorey car park and has won assistance from the European Regional Development Fund Financing.

Half trains to run in strike

As much as 57 per cent of the railway network will be open to services today during the latest 24 hour stoppage by signal workers, according to Railtrack, the state-owned company responsible for administering the system. This amounts to 6,090 route miles, the highest figure achieved since the conflict began thirteen weeks ago, indicating a further increase in the rail service through the use of managers and supervisors desnite the continuing firmness of the strikers.

Oil module vard closes

Trafalgar House Offshore Holdings announced that one of its two Teesside yards is to close, in a restructuring prompted by the much reduced market for large offshore modules as the North Sea oil industry moves to subsea and floating production systems. Mr Syd Fudge, managing director of Trafalgar House Offshore Holdings, said its other yards, at Port Clarence

on the Tees and Methil, Fife. would remain open and continue operating pormally. We have looked at the market, the opportunities and

our capacity and tried to make them equate," he said. The UK's total current offshore fabrication capacity is three to four times the available workload, ha added. Methil has work until

mid-1995 and Port Clarence into 1996; the company is pursuing more orders for both.

Green angst grows in UK

Eighty five per cent of people are concerned about environmental problems, but most are optimistic about what can be done to resolve them, according to a government survey of public attitudes to the environment.

The national survey showed that most people thought environmental clean-ups should be paid for by the organisations or people causing them, even if this meant that the cost of goods

Cleanest power 'is nuclear'

Nuclear Electric, the state-owned utility, pressed its case for privatisation yesterday by producing its first

environmental report. With only three weeks to go before the deadline for submissions to the government's review of the nuclear industry. NE said that nuclear produced the cleanest electricity in the UK, and was raising its environmental standards. The company's report showed that NE met 12 of its environmental targets last year, but missed three. Dr Hawley said the highest dose levels were the equivalent of eating a brazil nut, adding "Lessons have been learned."

Locals back artillery range

Farmers and villagers in the Otterburn area of Northumberland are to present a special citizens petition to the Commons, via Hexham Conservative MP Mr Peter Atkinson, appealing for the removal of the Ministry of Defence's Otterburn Training Area from designation as part of the Northumberland National Park.

The petitioners, who estimate the Army's presence is worth £6m annually to the local economy, are worried that recent criticism by environmentalists of the presence of military training within the national park could jeopardise the future of the artillery ranges which date back to 1911.

Lloyd's seeks run-offs code

Lloyd's of London has unveiled proposals to increase the efficiency of "run offs" - the management of claims faced by syndicates no longer underwriting new husiness. Companies managing run-offs will need minimum capital of £250,000 rising by stages to £400,000 for 1999 onwards, the same minimum capital standards as agents which manage syndicates, according to a consultative document issued yesterday. Lloyd's is also proposing to review the experience and qualifications of run off company staff and will demand that run off companies deploy effective computer systems. Run off costs amounted to some £135m

Eyes on the prize of a reciprocal ceasefire from Ulster's loyalist terrorists

announcement, the peace strat-

egy being followed by the Brit-ish and Irish governments is emerging through the haze. It looked as though the process had gone awry on Tuesday when London dismissed as "premature" an historic meet-ing between Mr Albert Reynolds, the Irish prime minister, and Mr Gerry Adams, the Sinn

While Mr Reynolds eagerly accepted Mr Adams' assurance that the IRA has ended its terrorist campaign, Mr John Major continued to demand "copper bottomed" guarantees that there will be never be a return to violence.

Meanwhile, in a theatrical confrontation in Downing Street, Mr Ian Paisley, Ulster'e single most popular Unionist leader, was ejected from the cabinet room for refusing to accept that Mr John Major did not tell lies.

The dramatic series of events prompted reports of renewed tensions between London and Dublin, amid speculation that Mr Reynolds wishes to move much faster towards all-party talks on Northern Ireland than Mr Major thinks wise. There are clear differences of

perspective between London and Dublin, not least because most of the carnage inflicted by the IRA over the last 25 years has been within the UK. The view from Dublin is also coloured by the historical fact that all the Irish political parties except Labour are descended from the old Sinn Féin party which campaigned

for independence from Britain. Perhaps because of these links, the Irish government is more convinced than London of the permanence of the Sinn Féin leader's change of heart, and less concerned about the possibility of e slide back to

In spite of their differences, however, the two governments are moving in tandem towards the twin objective of entrenching Sinn Féin within the democratic process, while demolish-

s the smoke of battle clears following the Kevin Brown, Tim Coone and A clears following the Jimmy Burns on the peace strategies in London and Dublin

ing Unionist suspicions of a Mr James Molyneaux's Ulster sell out to the IRA. Unionist party, which has The British government was

ohliged to deprecate the speed with which Mr Reynolds moved to meet Mr Adams, because of the widespread distaste for the Sinn Féin leader. among Unionists and Tory

rightwingers.
But ministers are keenly aware that the ceasefire declaration was opposed by a hard line faction in the IRA, and that it could collapse unless Mr Adams is able to show results from the so-called "unarmed struggle.

For the same reason, the government has reduced secu-rity patrols in N. Ireland, and would not be greatly unhappy to see Mr Adams make a sec-ond propaganda visit to the US, although it would formally urge President Bill Clinton not

to grant a visa.

Mr Major also accepts that
Mr Adams cannot deliver the guarantee of a "permanent" end to violence that London originally demanded because that would be regarded by the hardliners in the IRA as tantamount to surrender.

He has made it clear thet Britain will accept any form of words that allows talks to start without the threat of a return to violence if Sinn Fein fails to achieve its objectives. Ministers remain hopeful

thet a form of words can be egreed, although leading republicans say that further clarification is unlikely in the near future, because of the danger of provoking divisions within the terrorists' ranks.

Meanwhile, Mr Major's preplanned confrontation with Mr Paisley was intended to isolate his hardline Democratic Union ist party by demonstrating that threats and bluster will achieve nothing.

Mr Major also wanted to pro-vide a sharp contrast between the DUP and the more con-structive role being played by Unionist party, which has broadly supported the peace

British Ex

process that the strategy was working. Mr Paisley compared Mr Major to Adolf Hitler, but ruled out taking his struggle for the Union to tha streets, suggest ing that his popular support

may be declining.

Mr Ken Maginnis, a senior UUP MP, accused Mr Paisley of "harming the cause of Union ism," confirming that the UUP will continue for the time being to go along with Mr

The big prize, however, is the prospect of a reciprocal ceasefire by the loyalist terrorist organisations, the Ulster Freedom Fighters and the Ulster Volunteer Force.
British ministers hope that

Mr Major's brusque rejection of Mr Paisley's attack on his integrity will reinforce the government's insistence that no secret deals have been done with the IRA. The indications are thet the

loyalist paramilitaries would probably call to a halt to vio-lence if fears of a "sell out" can be assuaged.

However. Unionist leaders with links to the paramilitaries warned yesterday that the nationalist summit in Dublin was being interpreted by some terrorist leaders as evidence of IRA influence on the peace pro-

Officials in both capitals say that the peace process is at an extremely delicate stage, and warn that an upsurge in Loyalist violence or a republican refusal to clarify the ceasefire could cause a breakdown.

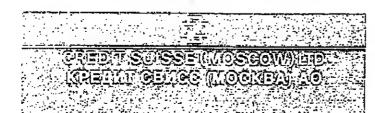
Nonetheless, work is continuing on an inter-governmental "framework" agreement, expected in the autumn, which will make detailed proposals for Ulster's future. If the cease fire holds, that will be when the real tough talking starts.





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MANAGEMENT: MARKETING AND ADVERTISING

ver since public relations emerged as a discipline in its own right, the industry has been struggling to prove its effectiveness and professionalism. But attempts to evaluate PR are often hampered by the belief that its methods are too subtle and results too intangible to be mea-

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The view that PR was too "creative and intuitive" to be evaluated was long held by Shirley Horn, UK director of corporate communications at Hewlett-Packard, the computer manufacturer. Until three years ago, the nearest she came to measuring the effectiveness of her work was "eyeballing the size of the clippings binder".

But in 1991 she was sent, under duress, on a three-day course about total quality management. It con-vinced her that PR was a process that could be evaluated like other disciplines.

"I emerged on a sosphor," she says. "Since then, we have been successfully applying total quality management methodology to PR es - documenting, measur ing and continuously improving the effectiveness of each process." She now measures everything from the correlation between coverage and the speed of response to journalists' telephone calls, to the number of thank-you letters written by dinner

Horn's belief that PR can be usefully evaluated is increasingly widely shared. "This is the age of 'if you can't measure it, don't do it'." says Sandra Macleod, managing director, Europe, of Carma Interna-tional, a media evaluation service. It is one of more than a dozen media evaluation services recently established in the UK which quantify trends in media attitudes to various issues and messages affect-

ing a company. Part of the value of media asses ment to a PR department is that it helps underpin the case for a partic-

electing a public relations Sconsultancy may seem a daunting task requiring a great deal of time, long lists of criteria and scores of interviews with potential agencies. But, in many ways, the process boils down to

"The most important thing is to look for personal chemistry," says Stephen Whitehead, head of PR for the UK operations of Glaxo, the pharmaceuticals company.

Finding the perfect PR is not as simple as spotting a stranger across a crowded room. "It is not the same as meeting someone at a party and having a nice chat with them," says Whitehead. "You want someone who will stand up to you. We do not want someone who is

Claims that public relations cannot be evaluated are increasingly questioned, writes Vanessa Houlder

Getting the measure of PR

Jane Drew, a public affairs manager at American Express, finds that using the Carma evaluation system helps demonstrate to senior management the effectiveness of PR campaigns. "Wa find it useful because PR is not taken as seriously

as marketing or finance," she says. Evaluation reports can also suggest ways to improve a PR campaign. Bass, the brewing company, uses the Impact system developed by infopress, a PR consultancy, to keep track of messages concerning matters such as quality, innovation, tradition and manager

If the tracking studies show that message such as "Bass offers quality brands" is being expressed less frequently in the press, the company will try to remedy the trend by, say, making extra efforts to publicise awards won by its beers, says Lesley Allman, external communications manager.

Evaluation reports may persuade companies to drop a campaign. For instance, a drive by Philip Morris to counter criticism about the impact of tobacco on health was found to

Other benefits of evaluation reports include identifying journalists who have been particularly favourable or hostile towards a company. PR departments may also be able to assuage the wrath of a keeping track of the volume of neg-chief executive incensed by a nega-ative messages in the coverage. The be able to assuage the wrath of a

tive article, by demonstrating that department can also me overall coverage of the company is becoming more positive. Conversely, a critical press can sometimes alert a company to an area of

But not averyone believes that media evaluation techniques are a satisfactory measure of PR's effectiveness. One inevitable problem is that PR managers have no direct control over the results of their efforts in the media. Moreover, it may be hard to disentangle the impact of a public relations programme from that of other marketing exercises, such as direct mail, promotions or sponsorship.

Another problem is that media

response to a PR campaign is not the full story. The ultimate purpose of most PR campaigns is to influence consumers, or target groups such as shareholders or parliamentarians. The impact of the campaign may need to be monitored by using survey research, setting up focus groups, keeping track of share price

movements and measuring sales.
PR evaluation also does not weigh success in limiting press criticism after a damaging news story has emerged. Admittedly, companies that continually attract negative comment can measure the performance of their PR departments by

success in tempering the bad news with some positive messages But most commentators agree

that the greatest obstacle to PR evaluation is cost. Although it may be reasonable to justify spending £10,000 to evaluate the effectiveness of a PR budget of, say £250,000, the cost of evaluation represents a large proportion of a small budget, unless search is carried out in-house.

There is a distinct lack of enthusiasm on the part of PR consultancies and their clients to find the extra cash to evaluate their campaigns. Quentin Bell, president of the UK Public Relations Consultants Association, recently dropped an attempt to introduce a standard evaluation tool for the PRCA's members, because of the lack of support for the move from clients and consultancies.

Jon White, a visiting professor of public affairs at City University, believes that the need of PR practitioners to evaluate activities is "partly a matter of professional insecurity". He points out that PR is not alone in experiencing difficulties with measurement and evaluation, which present problems in all areas of management.

The point is echoed by Mike Beard, president of the Institute of Public Relations, who argues that



Convert to the cause: Shirley Horn was convinced that PR could be gauged

himan resources, law and marketing rarely have standard evaluation systems. "Other professions are not essed by the issue, nor should we be," he says.

Yet the absence of an industry-

wide measurement technique is regretted by many people who believe that PR needs to improve its

ting exact criteria for what they

want the PR to accomplish. "By

saying we need A, B, C and D you

industry more quality-oriented if it allowed itself to be subject to evaluation," says Dermot McKeone, deputy chairman of Infopress. Quentin Bell goes further. It is

crucial that PR demonstrates its effectiveness, he argues: "Unless we can get clients to insist on evaluation, there will not be a PR consultancy business in 25 years' time."

> pitch. "Some agencies tend to have luminaries to do the presentation and then the secretaries do the work on the account," warns Steve Gebbett, director and head of marketing at Charles Barker, a London-based agency.

> The ultimate decision should be hased on the programme and how it conforms to the company's brief, awareness of the company's market and competitors, political sensitivity, creativity - and, of course, the all-important personal chemistry.

> Finally, "do not think the world will change just because you have appointed a PR company", says Kenneth Miles, director general of the Incorporated Society of British Advertisers. "But do expect something to happen and have an idea how to evaluate it."

Caught trap

rather than lannching a new brand, has the attraction of offering quick rewards while minimising risk. The cost of successfully launching a brand in the US, for example, is typically \$30m (£19.3m) compared with \$5m for a line extension.

But being swept along in "line extension mania" can be dangerous. In the latest issue of the

Harvard Business Review* John Quelch, a Harvard professor, and David Kenny, of consultancy Bain & Co, identify pitfalls which include: Excessive segmentation and consumer confusion. If product lines are extended without removing any existing items. the resulting clutter may drive consumers to seek simple, all-purpose products.

• Weakening brand loyalty When a company extends its line, argue the authors, "it risks

disrupting the patterns and habits that underlie brand loyality and reopening the entire purchase decision". Customers may be encouraged to switch brands. Missing out on new brands.
 Some products currently

marketed as extensions could well have been launched as discrete brands. Long-term profits are often sacrificed in avour of short-term risk management, say the anthors. No extension of demand. People do not eat or drink more, wash their hair more, or brush their teeth more frequently simply because they have more products from which to choose." the authors say.

Other traps include damaging relations with retailers - the number of packaged goods in the US grew 16 per cent each year from 1985 to 1992, while retail shelf space expanded by only 1.5 per cent each year. Market share gains from line extensions are also short-lived. as they can be copied quickly by the competition.

Diane Summers

* HBR Sept-Oct 1994. Reprint 94509. Fax: US 617 495 6985.

The personal chemistry test

because we believe that out of disagreement comes creativity."

Most companies and PR consultancies agree, however, that a few standard steps must be taken. The first is to develop a concise, but comprehensive, written brief that expresses clearly why the company wants PR.

According to Meg Holmes, general manager of the PR Register, which steers clients through the selection process, the brief should set out requirements in a number of areas, including customer rela-tions, corporate affairs, crisis and issues management, internal comgoing to say 'yes' all the time, munications, parliamentary lobby**Motoko Rich** on how to choose the right PR consultant

ing and links with charities. The next step is to select a range

of agencies. Information about consultancies is available in directories such as the Hollis UK Press and Public Relations Annual, which lists 1,200 agencies, separated into specialist categories. Organisations such as the PR Register, the Public Relations Consultants Association, the Incorpo-

rated Society of British Advertisers

and the Institute of Public Rela-

tions will also advise companies on appropriate agencies.

The temptation is to go for too long a list of agencies," says John Brown, deputy chief executive at Burson Marsteller, a leading agency. "But it wastes your time as a client and the agency's time in preparing presentations." He recommends a short list of no more than six consultancies.

Brown says companies should whittle down their choices by set-

can probably get down to five or six agencies that could possibly meet these needs," he says.

Each consultancy on the list should see the brief, and then pre-

pare a "credentials" or "chemistry" presentation. "After these meetings we guarantee that one or two will drop off the list," says Holmes.

The final two or three agencies should be invited to give a full creative presentation, which usually lasts about an hour, Companies should insist that those who will work on their business give the

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New York

itinol, a biocompatible "memory" alloy developed in the early 1960s and recently further investigated for space applications, is showing potential for use in minimally invasive surgery.

This "intelligent material", composed of an almost 50:50 mixture of nickel and titanium, has the capacity to memorise a particular shape. It expands or contracts when heated and returns to its original shape when cooled. After being deformed through bending, stretching and sion, it then needs simply to be subjected to a predetermined temperature - in medical applica-tions, to that of the body.

Shape memory properties of certain materials were first discovered in the 1940s. Yet it was in 1962 that William Buehler, a materials researcher for the US defence department, discovered those of nitinol. He used it for the coupling of hydraulic pipes in jet aircraft, and this same system is still used on the US F-16 fighter aircraft.

The other shape memory copper, or polymer-based - heve e more limited usage than nitinol since they do not exhibit such a range of movement and are not generally biocompatible. However, they are cheaper to produce (about £100/kg as opposed to ebout £500/kg for

A particularly elastic version of nitinol was the first to appear in a medical application in the mid-1970s. It was used in dentistry to make orthodontic bands to straighten teeth. The elasticity and shape memory capacity of the material applies a constant tension on the teeth and avoids the

Memory of shapes past

Miranda Eadie on the potential of an 'intelligent' biocompatible alloy

are required to re-tighten the more common stainless steel bands. Another established application in medicine is for usa as "clot-catching" filters in large blood vessels. Nitinol has also been used

as urethral and tracheal etents (mechanical devices which open out and reinstate the cross section of flind-carrying vesse It was not until the mid-1980s.

however, that the full medical capacity of nitinol began to be realised. Tony Anson, an engineer at the Brunel Institute for Bioenginaaring in tha UK, has played an instigating role. He became familiar with nitinol while carrying out research for tha European Space Agency into its use for making "linear actuators", or moving devices, for Biosample, a space bioprocessing facility. His work with nitinol brought

him into contact with David Jenkins, orthopaedic consultant et the Cardiff Royal Infirmary, who asked him to investigate the material's potential in orthopaedic epplications, in particular for the correction of backbone deformity. This research inspired a host of other potential uses for nitinol, including bone repair staples and plates, soft tissue pins to repair torn ligaments, vascular connection systems to join fluid-carrying vessels and other types of stents for

use in arteries and veins.

Instead of drilling the holes - an

operation which is not practical for



ede to measure: bres containing nitinol do not lose their shape with were

Anna Kochan looks at a new application that may transform an industry

The use of mitinol for bone repair staples is in clinical trial at the Cardiff Royal Infirmary and the results look positive, according to the researchers. These staples were designed for non-complex long bone fractures. However, researchers in the medical profession believe that by changing the scale of the staples they could be used on any of the bones in the body.

These staples are put into pre-drilled holes on either side of the fracture. The heat of the body warms the staple, which then

technology brings other benefits.

The smaller hole size permits the

changes to its memorised chape, pulling the bone ends together. A compressive setting of the bone at the fracture site is achieved.

According to Anson: "Such a treatment of broken bones may improve the strength of the union, reduce the time taken to effect the repair by 25 per cent, and is still one-third of the cost of presently available devices."

Experimental work into the use of nitipol for vascular connection systems is under way at the Brunel Institute for Bioengineering. "The

hose clip," explains Anson, "and the whole connection procedure takes no more than 30 seconds and is leak free." This method of joining blood vessels together could be advantageous in coronary bypass operations where up to an hour is spent in suturing.

Sam Andrews of Charing Cross Hospital, London, is researching a minimally invasive technique for repairing ahdominal aortic aneurysms (swellings of the main artery). Nitinol lends itself well to minimally invasive surgery because it can be introduced into the body as a narrow wire and, once inside, it can assume its memorised shape. In this research, the nitinol is used as a stent to hold e fabric

patch, or dacron graft, in place. The dacron graft is wrapped around a nitinol wire and fed into the aorta. When it is surrounded by blood, the nitinol warms up and expands to reform its memorised shape stent. Evidence shows that such stents hold grafts firmly in place and do

not migrete. Compared with traditional invasive surgery, the minimal access operation involves only a tiny incision next to the patient's groin, instead of a cut down the front of the body.

Nitinol also has non-medical use thermal control systems, for mounting components in integrated circuits and as underwiring in brassieres. Typical thermal control

applications are found in kettle switches, on showers and mixer taps (which switch off at a particular temperature to prevent scalding), and on fire doors - such asd those at York Minster (which close when the temperature rises in the case of fire). In the latter case, it is the strength of nitinol which is being exploited - e 3mm diameter nitinol wire forming a spring of 25cm diameter can move a force of

30kg.
The use of nitinol for mounting is exploited by the French company Souriau. Its system, which avoids complicated soldering, uses split shape memory sockets: these are wide open at low temperatures and close firmly around the component parts at ambient temperature. Repair of such circuits is easy; it is enough to cool the joints for the pieces to be taken apart.

Nitinol underwiring in bras is currently being commercialised hy Japan's Wacoal at its factories in the US, Asia, France and Belgium. In contrast to traditional hras, Wacoal's do not lose their shape, even after repeated machine

The mitinol needs simply to be warmed by the body temperature for the original preconfigured shape to be recovered. Over 3m Goodup bras, a popular Wacoal model with nitinol underwiring, are sold in

south-east Asia annually. The bra is one of the biggest markets for nitinol at the moment, according Tony Michael, of Memory

Metals, one of two companies in the UK that market or process nitinol. About 30 to 50 tonnes are produced annually for the global market by Furakawa of Japan, and Raychem and Special Metal of the

Taiwan's hole in one

aiwan is aiming to capture the lion's share of n fledg-ling but potentially huge market in the newest high-tech wrinkle in golf paraphernalia. in a textbook case of Taiwan's state-led industrial advancement, the government has transferred technology which it developed for the defence and aerospace industries to the man-

ufacture of golf clubs. The Materials Research Laboratory, part of the quasi-official Industrial Technology Research Institute, took existing carbon filament winding technology and applied it to the construction of colf club shafts

Gloria Wu, a spokeswoman for the laboratory, says the tech-nique provides greater power and control for the player. She compared the conventional taperolling technique with making an egg roll, which leaves pockets of empty space. "Using the fila-ment winding method, there are no air spaces," she explained. A private Taiwanese sporting

goods company, Advanced Composite Design, recently began production of clubs using the technology. Four other local manufacturers ere to start by the end of the year. Wu believes filament winding

will supplant other techniques over the next few years. With five Taiwan companies making clubs with it, the government hopes to corner, a 70 to 80 per cent share of the world market. Taiwan sporting goods mannfacturers have already established a strong position making

tennis rackets, fishing rods, bicy-cles and golf clubs. Soaring land and labour costs have prompted many Taiwan companies to move factories to southeast Asian countries and China. But makers of carbon-fibre golf clubs and other high-tech sports prod-nots have kept their manufacturing facilities in Taiwan.

Ever on the lookout for a club that can propel that little white ball further and with more precision, aficionados of the game are already lining up. "We've already got so many orders for the new clubs, we can't keep up," says Wu.

Laura Tyson

tching technology is about to put new life into high-tech electronics design which might otherwise reach its limits by the end of the century.

This is the view of Hewlett-Packard in Böblingen Germany, where a \$5m (£3.2m) investment is under way to make products whose computational speeds are four times higher than those available today and whose weight is more than halved.

At the high-tech end of the electronics spectrum, two trends are emerging which indicate a demand for higher performances. says Manfred Buchwald, HP program manager. One is the arrival of multimedia applications where the massive volumes of computation impose a high-speed requirement. The other is a growing miniaturisation trend in telecommunications where the emphasis is on size and weight.

esigning ways with electronics The more sophisticated the hole diameters of less than 200 electronics, the more components microns because of the brittleness there are to be crammed into as of drilling tools - a chemical

small a space as possible on a etching process is employed. circuit board. The limitations that Plasma etching is already used Buchwald foresees, however, concern not the size of individual for delicate cleaning tasks, such as the removal of fingerprints from components but the circuitry surfaces. It uses microwaves to connecting them. This also becomes crack oxygen molecules in a more complex the more components vacuum. These ettack the there are. The circuitry is laid out polyimide, reducing it to carbon dioxide and water. The process is on e stack of boards connected by electrically-conducting holes. quick, enabling all 30,000 holes on one board to be made in 15 minutes. Developed by Dyconex in Zurich, HP's electronics facility combines e compared with conventional new method of making the mechanical drilling which takes 41/4 electrically-conducting holes with e hours, eccording to Buchwald. new backing, or substrate, material. The Swiss DYCOstrate

width of the lines and spaces to be minimised - to less than half their current width within a year, says Buchwald. More circuitry can then be crammed on to a smaller area, reducing the number of layers needed for the full circuit board, the fundamental component of

electronic equipment. Experience so far has shown that DYCOstrate will reduce the number of layers from an average of eight-10 to two-four which will give a thinner and lighter substrate with significantly improved electrical and thermo-mechanical properties," says Buchwald. With fewer layers, the distance between components is shorter and the connection is straighter, so that the transmission of a signal from one component to another is faster. Today, computers send signals at

e rate of 100m-150m per second (their clockrate is 100-150 MHz). With DYCOstrate, Buchwald believes this will be speeded up to 400 MHz by 1996. The development time for an electronics product will also be considerably reduced as e result of DYCOstrate technology, Buchwald says, because it is easier to design for fewer layers. For a 12-layer board, it takes a computer program about two days to calculate the best possible component layout, he says. But, if the number of layers can be reduced to four, this calculation can be completed in 30-45 minutes.

The result, says Buchwald, is that the overall development time of a product can be cut by one to two weeks by cutting the number of layers in the electronic boards from 12 to four. This is especially important for getting products to market on time. Items such as workstations have a sales life of only 26-30 weeks before the arrival of next-generation equipment. HP is pinning great hopes on the

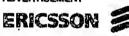
new DYCOstrate technology. Its success will depend on its early use in the industry and the degree to which It becomes accepted as a standard, Buchwald is optimistic, Within five years, 50 per cent of the Böblingen facility's output will be produced using the Swiss know-how. If not, something is

If HP's hopes are realised, DYCOstrate's Swiss inventors have a bright future. They still own the technology and will sell licences to any manufacturer wishing to buy it.

ADVERTISEMENT

ERICSSON \$

ADVERTISEMENT



Growing demand for complete network solutions is reshaping the telecoms supply industry

Meeting market needs with turnkey network engineering

Against a changing commarcial and regulatory background, the business of ment is undergoing a major shift.

Established public network operators ere seeking to cut overheads by concentrating on their core business: supplying telecoms servicas. Other ectivities including the design and construction of networks - are being divested, or outsourced.

Ona consequenca of this is that operators are trimming their supplier lists. Instead of having hundreds of suppliers of individual network building blocks, they are now preterring to form new-style partnarships with a handful of companies that cen offer e complete portfolio of

New public network operators have en even more urgent naed for turnkey solutions. They have to build networks from scratch, to start revenue flows quickly. In this situation, there is neither the time nor the desire to build up in-house engineering resources and expertise

The same trend is also visible in large organisations with private networks. They, too, are focusing on their core activities, and reelising that building and operating a private network is not something they need

That's why suppliers like Ericsson now increasingly focus on presenting integrated, turnkey network solutions.

At a functional level, euch an approach means that the network is delivered as e total package, ready to enter service. At an operational level, the supplier can take full responsibility for all processes, including design, procurement, installation, training and even running the network for the

undertaking large-scale turnkey projects, particulerly in the Middle East, South-East Asia and Latin America.

public and priveta natwork sectors worldwide, Ericsson is well placed to take advantage of the new opportunities.

Ericsson hee a complete renge of products and systems covering all tha key areas of telecoms network technology such as switching, trensmiaaion, network management, and radio communications. There is a large human resource of

lelecoms project managers with experience of tumkey network engineering.

And helping draw together ell this knowhow are sophisticated computerbased tools developed by the company to streamline all the processes in designing, planning and implamenting complex

It adds up to a thoroughly-proven, turnkey engineering capability that Ericsson offers lor public end private network projects on any scale, anywhere in the



The Engineering Support System (ESS) is a powerful computer tool developed by Ericsson for all stages of network anginaaring, from initial planning through to implementation, document-

for eleventh

Orders increase

The financial report for the first six months of 1994 shows Enceson's order bookings up by 19% at SEK 40,342 m. net sales up by 33% at SEK 36,514 m. and pre-tax incoma up by 78% at

quarter in which order bookings have risen," sald Ericsson CEO Lera

the USA, Sweden, Australia and China.

mobile telephony, sales increased by

broadband services to network customers more flexibly

to 155 Mbit/s. But many users may require band-

widths far lower than this figure. So Ericsson has developed an ATM service accass unit that allows the 155 Mbit/s public network bandwidth to be split down to meet the needs of individual users. It brings bandwidth on demand to

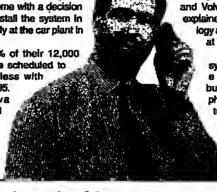
networks can be connected to the public ATM network via the new access unit, without the need for any special modification. It supports services such as ATM. frame relay and circuit emulation (PBX).

Volvo chooses Freeset for in-plant communications mobility

Another boost for Ericsson's Freeset business cordlass talaphone system has come with a decision by Volvo to install the system in Sweden, initially at the car plant in Gothenburg. Some 25% of their 12,000 extensions ere scheduled to become cordless with

Freeset by 1995. *We have

eveluated varioua systems and technologies. and we found



Freeset the most suitable solution for the present needs of Volvo Car and Volvo Truck Corporation," explained Rolf Agren, Technology and Production Manager at Volvo Data AB.

The Ericsson Freese system chosen by Volvo is e multi-call, multi-user business cordless telaphone system conforming to the DECT standard. It will be supplied by Telie, Ericsson's Freeset distributor in

US operation wins big Taiwan order

Ericsson GE Mobile Communications Inc. together with Ericsson Talwan, has won what is regarded as the largest order ever placed for a digital trunked radio syst

Under the terms of the US\$ 110 m order from the Taiwan National Police Administration, Ericsson will supply a fully digital EDACS system on a tumkey basis. It will provide island-wide coverage, with encryption and telephone interconnect.

When completed in three years time. the system will have over 40,000 radios, supported by eight multi-site subsystems and over 80 repeater sites.

BT and MCI choose Ericsson virtual network' knowhow

Concert, the BT and MCI joint venture company, has chosen Ericason's AXE equipment for the Concert Virtual Network Service (Concert VNS). New AXE international exchanges will serve as Service Switching Points in London,

New York, Frankfurt and Sydney. Concert VNS is a global service being marketed in the Americas by MCI and elsewhere by BT. Users get an rational telecommunications service that works as a private network, but is created within the public network infrestructure - hence the term 'virtuel private network. It avoids the fixed costs and operational requirements of

a privately-owned network. In collaboration with Concert, 81 and MCI. Enceson has developed an interface between AXE and the Northern Telecom DMS-250 network switching equipment that is used in the MCI intelligent virtual network.

Coca-Cola takes to the air with Mobitex

Coca-Cola drinkers in Norway ara unlikely to find their nearast vending machine 'sold out' of their favourite drink from now on, thanks to Ericsson mobila data

Vanding machines operated by Ringnes Coca-Cola Kald-Drikk A/S (jointly owned by the Norweglart Ringnes brewery group and The Coca-Cols Company) are to be linked to the company's headquarters via the Mobitex mobile data network in

Information gathered dally from the vending machines will allow servicing and ocking schedules to be planned on the basis of detailed, lactual information on each individual machine. The company will know, for example,

exactly when a vending machine needs restocking, and also the mix of drinks that best fits customer demand et thet Data on cash levels in every machine will be transmitted, so the company knows

exactly when cash boxes need emptying, or the changa replanishing, giving full control of money and merchandise. This automated epproach will also greatly reduce the paperwork associated

with servicing and restocking work. Special software and hardware for this innovative Mobitex application has been developed by Norwegian company Mobile

Business Systems A/S.

A trial involving 80 vending machines started in September this year. Ultimately, it is expected that the approach will be applied to all 3,000-4,000 vending machines operated by Ringnes Coca-Cola Kald-

World roundup

China: Ericsson has recently won orders worth over US\$ 600 m from China. They include the first digital/analogue AMPS mobile phena system in China, for the Nanjing region, and expansion of the existing mobile phone network in Beging to nearly 100,000 subscribera. AXE switching equipment worth US\$ 180 m is to be supplied to Liaoning and Jiangsu Provinces as part of frame agreements

A new US\$ 400 m frame agreement with the Guangdong Province covers AXE axchanges and transport network equipment to be supplied over a threeear period starting in 1996. Also included is ATM technology for future 'information superhighways'.

Croatia: Ericeson Cables is to supply a 100 km submarine optical fibre cable to HPT, the Croatian post and telecommunications, to complete a link from Rijeka through Zadar to Split.

Greece: A SEK 878 m order from OTE, the Greek telecommunications network operator, will take total AXE lines installed to 1,250,000. Lebanon: A 36-month turnkey project is to expand the Lebanese public telephone

network. The US\$ 147 m contract will restore existing AXE exchanges with 55,000 lines, and install 170,000 new Malaysia: Ericsson radio technology will help speed up the provision of telephone services nationwide in Malaysia. By the

beginning of 1995, an extra 40,000 aubscribere will be connected to the network via Ericsson's RAS 1000 'Radio in the Local Loop' system, under a SEK 620 m contract between Telekom Malaysia and Perwira Ericsson Sdn Bhd.

UK: Following the commercial launch of the Mercury One-2-One personal com-munications network service, Ericsson has won network expansion orders worth

USA: Businesses using the Pacific Bell centrex service will be able to use Ericsson Freesel cordless telephones, following an agreement signed between the two companies. Staff will be able to make and receive telephone calls from any location in their workplace using the lightweight Freeset pocket phones.

Telefonaktiebolaget LM Ericsson, S-126 25. Stockholm, Sweden.

Encason's 70,000 employees are active in more than 100 countries. Their combined experience in switching, radio and networking makes Encason a world leader in telecommunications.

For decades. Ericsson has been And as the trend fowards lurnkay network engineering gathers pace, in both ation and forecasting.

Sweden's first 'information superhighway' to use Ericsson switches

Telia, the Swedish telecommunications network Operator, has announced plans to create Sweden'a first 'information superhighway' in HalsIngborg in southarn

When it enters commercial operation in 1995 il will provide city-wide data networking for private companies and the

work will be operational this year.

city administration. The network infrastructure will be based on nine Ericsson ATM multimedia switches, capable of hendling voice, data and video communications. The test net-

successive quarter

SEK 2.290 m.

This is the eleventh consecutive

Order booklogs in the second quarter were boosted by large orders. nainty from China, Sweden, the USA and Italy. The increase in net sales, to which all business areas contributed. was very strong, particularly in Japan

Ericsson's largest market is the USA, accounting for 11 % of total net sales, followed by Sweden, Italy, Great Britain and China.
Radio communications activities

including mobile telephony have grown so strongly that they account for helf of Ericeson's order bookings and nearly half of consolidated oet sales. For

50% Our successes are based on goaloriented, long-term investments within the most expansive areas of telecommunications, seld Mr Removist. The first six months have been very tavourable, and landopate a continued improvement in earnings during the remainder of the year."

How to bring ATM

The broadband public telecom networks of tha future will be based on ATM (Asynchronous Transfer Mode) switching technology, capabla of handling voice, video and data services at bandwidths up

individual user premises.
Existing PBX systems and date

minister denies n

Chrome layers

 $-\langle b_i - a_{i,j} \rangle \simeq b_i^{(i)} \sqrt{a_i} \delta^{(i)}$

in the mil

WYATT EARP (12) Lawrence Kasdan

> MR JONES (15) Mike Figgis

COLOR OF NIGHT Richard Rush

WRESTLING ERNEST HEMINGWAY (12) Randa Haines

DARKNESS IN TALLINN ilkka Jarvilaturi

A MATTER OF LIFE AND DEATH (U) Powell and Pressburger

t is easy to see why Lawrence Kasdan's sprawling biopic Wyott Eurp runs for nearly twice as long as most other features - it wants to be two very different films. The first is a standard Western, complete with elegiac vistas of blood-red sunsets. free-swinging bar-room brawls, good-hearted whores and laconic heroes with droopy moustaches. The second film, meanwhile, is a wayward effort to demythologise the gunslinger icon along the lines of Clint Eastwood's masterful Unforgiven. Not surprisingly, these two antagonistic atrands tend to cancel each other out, making for a distinctly unaffecting exercise in

This problem is crystallised in Kevin Costner's performance as Earp. Even after more than three hours in his company it is still hard to know what to make of the man. Is he a brutalising bully who hides behind a sheriff a badge and stoical cowboy code? Or is be the wise and strong patriarch of the Earp clan, reluctantly employing violence to protect his kin? Or simply a very buman mixture of both? Neither Kasdan nor Costner are able to provide the answer to these questions leaving a big empty at the film's core that all the action and scenery

in the world cannot fill. That said, Kasdan keeps things moving at a good pace, taking the viewer through the story's inordinate span with relative ease. Owen Roizman's photography looks great, and the shoot-out at the OK Corral is wonderfully understated, with the two groups of combatants gunning at each other from just a few feet away, most of their shots missing the mark. The best thing about the film is Dennis Quaid's portrayal

ome of Noel Coward's come-

as bad manners, the dangers of

charm, and offstage theatricality

Coward knew plenty: witness the

spot-on brilliance of Hay Fever and

Present Laughter. About such

matters as sustained sexual passion

and responsibilities within adult

relationships be knew far less: wit-

ness such delicious fibs as Private

people bave been lying about bisex-

uality for decades, and Coward's

charming games with it are only

seriously marred by his terror of

calling a spade a spade and by his

final pretence that a sexual three-

some can be a good permanent

arrangement Sean Mathias's new

production is, bowever, happy to fill

in, in 1994, what Coward left out in

1933, and to tear away some of what

Coward needed to add. His staging

is sometimes much more than deli-

cious, and to that extent it is on the

verge of being the most important

production of a Coward play Lon-

Design for Living is, you will

recall, about the erotic triangle of

don has seen in many years.

dies succeed because they -very shrewdly tell the truth.

but others are merely enchanting lies. About such matters



Dennis Quaid, Kevin Costner, Linden Ashby and Michael Madsen (left to right) walk to the OK Corral in 'Wyatt Earp'

Cinema/Stephen Amidon

Shots that miss the mark

of Doc Holliday, an acerbic, cynical turn that makes you wish Kasdan had stuck to his deconstructionist guns instead of muffling them with all those lovely desert vistas and Calvin Klein outerwear.

British director Mike Figgis's second American movie, Mr Jones, arrives on his native shores surrounded by a cloud of Hollywood horror stories about studio interference, including the classic about an executive who wanted the depressive parts of the bero's manic-depression to be edited out, leaving just the "up" sequences. As it is, the film seems to have weathered these crass assaults fairly well, making for a largely involving psychological drama that only comes unstuck

In it, Richard Gere plays a gifted thirty-something who suffers from the severe mood swings inherent in manic depression - at one moment he will be charming everyone out of their socks; the next finds him muttering, dishevelled and suicidal. It is easy to see why the Method-trained Gere would opt for such a role, especially given Hollywood's recent proclivity for awarding Oscars to actors who portray disabled characters. While his performance certainly is not on that sort of level, Gere does have several fine moments as he spars with shrinks. leaps on stage to conduct a sym-phony orchestra and steals a kiss from a babe on the street. Lena Olin is his match as the psychiatrist who forgets ber Hippocratic oath as she falls in love with ber patient.

a clinically effective substitute for lithium. Psychological disruptions are also the order of the day in Color of

Where the film is less than con-vincing is in the deeper things it

has to say about Mr Jones's mental illness, which at times is presented as a curable condition while at oth-

ers depicted as the central part of a

winning personality which would

be a shame to extinguish. One occa-

sionally suspects that the film-makers' primary interest might lie in the cinematic possibilities of the

disease's symptoms rather than in

its true nature. This is nowhere

more apparent than in the absurdly

rosy conclusion, which has Olin

abandoning her career to live with

her uncured patient, as if love were

to occur in unsuspecting audience members as on screen. It has been 13 years since the American director Richard Rush released his last film, the critically acclaimed and genuinely brilliant The Stunt Man. It is the sort of hiatus that usually means the artist either has a mas-terpiece up his sleeve or is suffering some sort of creative distress. Unfortunately, Rush's new film indicates the latter. The woeful plot involves Bruce Willis as a psychologist who takes over a murdered colleague's therapy group in order to find out which of its members com-mitted the crime. Willis labours heroically to portray someone with a sensitive nature and a three-figure IQ, but carries too much tough-guy baggage to pull it off. By mid-film

he seems positively relieved to be involved in a monumental car chase. His love interest is portrayed by Jane Marsh, who introduces berself to him as "a struggling actress". These prove to be the film's truest lines.

Wrestling Ernest Hemingway is a pleasant, understated drama about two elderly men striking up an unlikely friendship. Richard Harris plays a 75-year-old former sailor who finds himself washed up in e dingy Florida town, ebandoned by his yupple children and spurned by landlady Shirley MacLaine. All he has left are his memories (hence, the title) and his burgeoning frieodship with retired Cuban barber Robert Duvall.

The best thing about the film, oot surprisingly, are the performances by the two leads, particularly Duvall whose musical Cuban accent never once falters. Unfortunately, director Randa Haines bas mada the mistake of having the film's pace match that of its heroes' lives, adding a half-hour to its optimum length and creating an unnecessary sense of torpor.

Viewers not sufficiently motivated by the prospect of seeing s Finnish-Estonian film should spare e second thought for Darkness in Tollinn, which turns out to be a highly enjoyable caper flick that is only incidentally set in the Baltics. In it, a group of marginally competent criminals schemes to steal the entire gold supply of the fledgling Estonian government by blackmail-ing a young electrician into turning off the entire nation's power. The resulting mayhem involves as many shocks and twists as the wiring of an old circuit box. Ilkka Jarvilaturi's direction of Paul Kolsby's knowing script eschews gore and politi-cal commentary to create a funny, well-paced thriller. A multi-million dollar Hollywood remake seems all but inevitable.

Finally, this week sees the re-re-lease of a cleaned-up print of Powell and Pressburger's sublime A Motter of Life and Death. What is perhaps so striking about viewing this 1946 masterwork amid the rest of the current releases is to realise how daring and unfettered the filmmakers were 50 years ago, bow alive they were to the possibilities of the medium. Despite the occasion-ally quaint dialogue and even quainter wartime ethics, this story of downed bomber pilot David Niven pleading his case before a celestial court in order to stay on earth with lover, Kim Hunter, looks and feels more glddily modern than most films being churned out nowa-

ENO looks to Lottery for cash

esterday English National Opera announced rebuilding plans for its Coliseum bome. In other words it lanoched its bid for Lottery cash.

The ENO is looking for between £40m and £45m to modernise one of architect Frank Matcham's grandest and most ornate Edwardian theatrical extravaganzas. The sum is much higher than anticipated, bnt Shaun Woodward, best known as a former director of communications at the Conservative Party, who is leading the appeal, has based his estimates

oo 1998 building costs. The money will go towards e smarter front-of-house, a regilded auditorium, and more civilised backstage facilities, plus such money-making propositions as a glassed-over roof-top restaurant overlooking Trafalgar Square.

An anoynmous friend of the ENO has already piedged £1m and there is another £250,000 io the hag. Woodward will go for both Arts Council and Heritage Fund Lottery money. Cootacts should belp: he knows well Peter Gummer, who chairs the Arts Council's Lottery division.

But to be certain of Lottery support against frantic opposition. Woodward knows be must make a strong case for the ENO. He is pushing its mass appeal and bigb standards. "If this place closed, the wider opera andieoce would have

nowhere else to go."
To underpin the bid, general director Dennis Marks has already announced a 1994-95 programme which combines new prodoctions of popular favourites, such as Tosca, with operas likely to appeal to enthusiasts, such as Khovanshchina and The Rise and Foll of the City of Mahagonny. In his first year, Marks bas

raised ettendances by 2 per cent, to a still worryingly low 62 per cent of capacity, but subscriptions are up 30 per cent and plans to introduce new productions of Turandot, Fidelio and a Jonathan Miller Carmen should see the box office take improving at the same time that Woodward woos corporate and private friends, and the Lottery providers.

Woodward knows that the ENO must raise at least a third, say £15m, of its target from its own resources. He hopes to sell the ENO to companies as the opera bouse for their workforces rather than for their boards. If all goes well the ENO will close for its facelift in mld-1998 and re-open on New Years's Eve 1999.

The Royal Opera House, Coven Garden, also plans to be closed at this time for its refurbishment. which equally depends on Lottery funding. Its appeal, for around £100m, will probably be launched next year.

On Tuesday another celebrated London arts venue announced its application for Lottery aid. The Riverside Studios, alongside the Thames at Hammersmith, is looking for £3.3m for a complete overhaul and to pay off debts. The debts, £300,000, are the most worrying. Unless the mooey is found by the end of March, new director Bill Burdett-Coutts' efforts to make the Riverside matter again

will be doomed He is already finding it a challenge: the local authority has rejected his plan to moor e ferry by the Studios as e new performing space and restaurant on the grounds that it will disturb the ducks. A stroog programme opens this week with new plays by Berkoff and continues with a London Comedy Festival.

Antony Thorncroft

Theatre/Alastair Macaulay

Design for Living

most audacious stroke is to tear it away from its original 1930s setting. This, at first, strips off that brightyoung-thing polish that makes most Coward plays sound like make-believe. Mathias is strong on the sex between the three central charac-Design for Living is a pretty fib about something Coward did not understand at all: bisexuality. But ters, and thrillingly reveals the two elements of sexual passion about which Coward knew most: owning up to sexual attraction and sexual alousy. Ha makes these gripping to us - much of the time - because he has the actors speak the dialogue - much of the time - with all the speed and attack that Coward's lines call for, and because - much of the time - they eliminate the airily glamorous artifice that is usually an adjunct of Coward's

> The production begins with Gilda (Rachel Weisz) opening the fridge and soothing ber inflamed body after a night of impassioned sex. Everything - the way ber body radiates sexual excitement through its gorgeous and thin little shift, the sultry muzak in the air, the scatter

Gilda, Otto, and Leo. Mathias's cushions on the floor - plunges the play straightaway into the world we know. And the modern effect is thrilling throughout the first act, even though this is the play's least amusing. Thereafter, bowever, the production occasionally loses its nerve. Even Stephen Brimson Lewis's vivid designs stop being so "now" and becomes more ambiva-

> Rachel Weisz, the least experienced of the three players, gives far the most revelatory performance. No Cowardly world-weariness here. The way she plays Act One, as if still high on last night, is marvel-lous. She is all reckless self-discovery, and she embodies the dilemma of the modern woman: how to have it all? She wants sex and intimacy and independence; she is sexual and sophisticated but without a jot of calculation; she is endlessly spontaneous. There is a bubble of doll'shouse hysteria beneath everything she does that makes her much the most interesting character in the

Clive Owen's Otto is even more

radically conceived: no kind of upper-class accent whatever here. This does not always work; the words "my dearest dear" do not come naturally from his lips. In general, however, he goes for Otto's honesty. And his blend of roughness and tenderness make his bisexuality persuasive; we can even believe, sometimes st least, that he wants Gilda to realise herself as a woman and not just as his lover.

Paul Rhys, as Leo, starts with ter-rific freshness, and, like Weisz, he has the kind of good looks that make sense (sexually speaking) of the story. But, alas, he soon opts for the customarily artificial way of playing Coward: tha more-clipped-than-thou vowels, the pretty-boy tricks of the eyes, the cultivated The artificial way of playing Cow-

ard can, of course, be wonderfully funny. When Rhys says "You've been to Chuquicamata, I suppose?". be is uproarious. But by this point the play has retreated into nevernever-land.

We may believe that Gilda can tumble back into bed with her old boyfriends, but not that this Gilda should want to stay there. The play's final scene is, eventually, one big lie.

Donmar Warehouse, London WC2



Clive Owen blends roughness and tenderness as Otto

INTERNATIONAL

ATHENS

elections.

Odeon of Herodes Atticus Fri, Sat. next Mon and Tues: Lyon Opera Ballet in works by Angelin Preliocal William Forsythe, Susan Marshall and Bill T. Jones. Next Wed and Thurs: Salzburg Mozarteum Orchestra, Sep 22, 24; Monte Carlo Opera in Verdi'a Otello (01-322 1459). Sep 18, 19 at Megaron: Giulini conducts Orchestra of La Scala (01-728 2333/01-722 5511)

■ BOLOGNA

Testro Communate The autumn concert season opens on Sep 23 with an orchestral programme conducted by Jiri Kout, with violin soloist Viktor Tretiakov (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40128 Bologna. No telephone bookings accepted. For Information, call 051-529999)

■ GENOA Teatro Carlo Felice The 1994-5

eason opens on Sep 22 with the first of four guest performances of Tchalkovsky's The Maid of Orleans by the Odessa Opera (010-589329)

LONDON THEATRE

 The Devil'a Disciple: Christopher Morahan directs tha National Theatre's new production of Bernard Shaw'a 1897 satire on melodrama, set during the American Wer of independence. The plot features the romantic villain Dick Dudgeon (played by Richard Bonneville), a disgrace to hie family who is driven to an act of goodness through his own innate virtue. Opens tonight in tha Olivier (National 071-928 2252) Babies: Jonathan Harvey's play. which won the 1993 George Devine Award, is the story of Tammy's 14th birthday party, which mum has thrown in order to ensnare her daughter'a youthful teacher - without sing Uncle Kenny has the same taste. Final preview tonight, opens tomorrow (Royal Court 071-730

1745) ● The Hostage: Michael Bogdanov directs the Royal Shakespeare Company's new production of Brendan Behan's great Irish drame. Starts previewing tonight, Press night next Wed (Barbican 071-638

 The Slab Boys Trilogy: the first London showing since 1982 of John Byrne's comic trilogy, which follows the lives of three Paisley boys from desperate youth to despairing middle-age. The three plays can be seen individually or as a complete package on certain Saturdays. Previews start tomorrow, Press night Oct 1 (Young Vic 071-928 6363)

 The Winslow Boy: another step in the Terence Rattigan revival - this time, his 1946 play about the private cost of justice. Peter Barkworth ia ideally cast as the stiff upper-lipped father, battling against Whitehall to prove the innocence of his son who has been expelled from naval college (Globe 071-494 5065)

 Arcadia: Tom Stoppard's complex comedy for the mind and the heart, directed by Trevor Nunn (Haymarket 071-930 8800) The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant en Keiler (Wyndham's 071-369

 Saint Joan: Imogen Stubbs is the soldier saint in this fine staging of Shaw's wordy but gripping chronicle play (Strand 071-930 8800) An Inspector Calls: the National Theatre's multi-ward-winning reinterpretation of J.B. Priestley's psychological thriller, directed by Stephen Daldry (Aldwych 071-838

 She Loves Me: the charming 1983 Masteroff, Bock and Harnick romantic musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthie Henshell and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA Colliseum English National Opera's 1994-5 season opens on Mon with a new production of Tosca, conducted by Alexander Gibson and staged by Keith Warner, with a cast headed by Rosalind Plowright, David Rendall and Henk Smit (15 performances till Oct 27). Jonathan Miller's production of The Mikado is revived

on Sep 21, and the second new production of the season is Massenet'e Don Quichotte on Oct 8 (071-836 3161) Covent Garden The Royal Opera opens its new season on Mon with a revival of Andrei Serban'a production of Turandot, featuring Sharon Sweet and Gluseppe Giacomini, conducted by Danlele Gatti. La Cenerentola is revived on Seo 26, and the first new productions of the season are Das Rheingold and Die Walkure on Oct 13 and 14. The Royal Ballet returns on Nov 3 with the British premiere of Anthony Dowell's new production of Sleeping Beauty (new box office number: 071-304 4000) Sadler'a Wells British Youth Opera presents Eugena Onegin in repertory with Rossini'a The Thieving Magpie between next Tues and Sat (071-278 8916) CONCERTS

Royal Albert Hall Tonight: Lorin Maazel conducts Pittsburgh Symphony Orchestra in Rakhmaninov. Prokofley and Ravel with violin soloist Julian Rachlin. Tomorrow: Mazzel conducts Beethoven'a Eighth and Ninth Symphonies, Sat: Andrew Davis conducts Last Night of the Proms, soloists Bryn Terfel, Evelyn Glennis and Michael Davis (071-823 9998) Wigmore Hall Tonight: Barbara Bonney song recital, accompanied by Geoffrey Parsons. Sep 19: Jannifer Larmore. Sep 20: Nash Ensembla plays new chamber works by Henze. Sep 27: June Anderson (071-935 2141) South Bank Centre Tomorrow: King Sunny Ade - a rare London

appearance by Nigeria's great

Django Reinhardt, gypsy jazz quitarist, Next Wed: Charles Mackernas conducts Mozart's Requiem and Janacek's Glagolitic Mass. Oct 2: Jessye Norman (071-928 8800) Barbican Sep 21, 22: opening of London Symphony Orchestra'a Mahler festival. Sep 29: LSO 90th birthday concert (071-638 8891)

bandleader. Next Tues: tribute to

MILAN

Teatro alla Scala The Zeffirelli production of La boheme ie revived on Sep 17 for six performances starring Mirella Freni, Roberto Alagna, Nicolai Ghiaurov and Glno Quilleo (02-7200 3744)

■ STRESA

The chief selling point of Stresa's annual music festival la its situation on tha shore of Lake Maggiore in northern Italy. Tha festival continues for another 10 days, with concerts featuring Martha Argerich, Katia Ricclarelli and the Berlin Radio Symphony Orchestra under Vladimir Ashkenazy (0323-31095)

■ TURIN

Turin'a annual music festival, Settembre Musica, continues with late afternoon and evening performances daily till Sep 22. Guest ensembles over the coming week include Steve Reich and Musicians, the Royal Concertgebouw Orchestra under Riccardo Chailly, the London Symphony Orchestra under Michael

Tilson Thomas, Boston Musica Viva, and the Estonian Philharmonic Chamber Choir in an Arvo Part programme (011-881 5214)

■ WARSAW

This year's Warsaw Autumn contemporary music festival (Sep 15-24) offers tributes to three recently-deceased Polish composers - Witold Lutoslawski, Andrzej Panufnik and Roman Haubenstock-Ramati. Anne Sophie Mutter is violin soloist (Sep 16) In a programme devoted to Lutoslawski. who was for many years e leading light of the festival, and composi several pieces apecially for Mutter, Antoni Wit comducts the Polish Radio Symphony Orchestra in Panufnik'a Sinfonia di Sfere (Sep 18), while Klangforum Wien devotes a whola programme (Sep 19) to Haubenstock-Ramati, who was music director of Cracow Radio in the late 1940s, before emigrating to Israel and later settling in Paris and Vienna. The younger generation of Polish composers is represented in a lunchtima programme on Sep 17 antitled Hits from the Sixtles to the Nineties, Among the foreign composers represented this year ara Henri Dutilleux, Magnus Lindberg, Bright Sheng, Salvatore Sciamno, Elliott Carter and Comelius Cardew. Festival office: Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw, Poland (Tel/fax 022-310607). During the period Sep 12-25, all enquines to Warsaw Autumn, Hotel Europejaki, Krakowskie Przedmiescie 13. Warsaw (tel 022-265051 fax 022-261 111)

ARTS GUIDE Monday: Berlin, New York and Parls. Tuesday: Austrie, Belgium Netherlands, Switzerland, Chi-

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When it's time to go to the country



always evolving. Now, just as its triumph over totalitarlan Ideologies

REVIEW appears assured, representativa government - the goal of western democrats since the American and French revolutions - is under challenge from s differ-

The call for change comes from those who can be described as "direct democrats". Dissatisfied with the limitations of representative democracy, they want to give ordinary citizens an active role in government. Their main demand is wider use of referendums - something on which they are making significant headway. Theirs is a fraught struggle - and is bound to be so since they confront one of the world's most entrenched vested interests: the class of professional politicians. This excellent study is both a

catalogue of, and a commentsry on, referendums across the world since the French Revolution. Nearly 800 nstional referendums are listed. While no decade before the 1970s records more than 80 referendums, there were 177 in the 1970s and 153 in the 1980s, about half in bona fide democracies. The tally for the 1990s looks set to exceed 200.

David Butler and Austin Ranney's catalogue includes most modern dictatorships - a reminder that referendums can also be a handy aid to dicta-

But referendums have played key roles in transitions to democracy. Like elections and bills of rights, however, the democratic credibility of a referendum is only ever as strong as a community's political conscience and culture (and dicta-

For mature democracies, the key Issue is whether referendums can deepen democracy by generating informed public debate on policy questions, and not just prejudice manipulated by demagogues or the media.

The experience of Switzerland is critical to any assessment because that country has held more referendums than all other nations combined. With 6.5m citizens, and a

REFERENDUMS AROUND THE WORLD: THE GROWING USE OF DIRECT DEMOCRACY Edited by David Butler and **Austin Ranney**

AEI Press. \$19.95, 304 pages

regime which since 1848 has proved more durable, democratic and prosperous than virtually any other, its example may offer important lessons for other democracies.

in addition to mandatory referendums on constitutional changes, 100,000 Swiss citizens can oblige the state, by means of an "initiative", to hold referendums on laws passed by par-liament or on proposed consti-tutional reforms of their own devising. The Swiss typically vote on eix to 12 national questions a year, spread over two to four separate ballots. Four striking conclusions emerge from the chapter by Kris Kobach, a former Oxford University doctoral student:

 Switzerland's representative institutions are not rendered irrelevant hy the referendum process. Rather, parliament and the government are guaranteed a significant constitutional role, with power to make counter-proposals and to delay

 Popular votes generally support earlier parliamentary decisions. But the prospect of a referendum on an issue, and the need to carry majorities in more than half the 23 cantons for constitutional changes. weighs on ministers and MPs. The referendum in Switzer-

land has in effect taken the role played by the opposition in other western democracies. Since 1959, the Swiss government has been a permanent cross-communal coalition of four largest parties, obliged to conduct a continual dialogue

 Although most "initiatives" are defeated, they are still influential. Kobach cites the 1989 "initiative" proposing to ebolish the Swiss army. It was defeated. But the 36 per cent vote in favour exceeded expectations, prompting cuts in the size of the army, a relaxation of military service and a civillan option for men (s proposal rejected in a 1984 referendum). In Switzerland, then, referen-

dums go hand in hand with federalism and a consensual approach to government. That means the Swiss model cannot simply be transplanted into different traditions.

Ireland is a case in point in his chapter, Vernon Bogdanor, reader in politics at Oxford University, argues that the Republic abolished its variant of "the Initiative" in 1937 partly, it seems, for fear that it could result in the tyranny of the majority. On the same grounds, one

could argue, a referendum process is unlikely to help secure lasting peace in Northern Ireland. Much would depend on the definitions of elector ates and guarantees for Catho-lic and Protestant communities, each of which fears persecution by the other. If an Irish federation combining the Republic and Northern Ireland ever emerged, localised referendums could help provide legitimacy.

Bogdanor also discusses what lies behind the increasing resort to direct democracy in western Europe. He argues the rise of representative govern-ment in the late 19th century was accompanied by the rise of mass political parties. Dominated by professional politicians reliant on office for status and income, the parties halted movement towards direct forms of democracy. Voters accepted this, believing their interests depended on

'their" party's triumph. Now, however, ever fewer voters in the west identify with a single party, while ever more are suspicious of politicians. It is no accident that Italy, whose party system generated patronage and corruption on a massive scale, is the European country to witness the most dramatic increase in the use of the referendum in the past

A century ago A V Dicey, the English constitutionalist, predicted that, "once established the referendum would never be got rid of by anything short of a revolution". He may be right hut, in Britain and perhaps elsewhere, political revolutions may be needed to make it an integral part of government in

Andrew Adonis to the extent that output rises

ECONOMIC VIEWPOINT

Good news is not always bad news

By Samuel Brittan

to meet an increase in spending the inflationary danger is

cal aspects of current economic discussion is the way

that good news is presented as

had. If output rises more quickly then expected or unemployment falls faster,

many market commentators

treat it as bad news. The rea-

soning is that central banks

will fear 'overheating', and will

be more likely, in the case of

the US and Britain, to raise

short-term rates or - in the case of Germany - less likely

A few dissenting economists

have always suspected that the

mainstream discussion was

wrong and the instinctive pub-

lic reaction correct. For

instance, the American 'new classical' economist, Robert

Barro, has chided the Federal

Reserve for worrying about

growth being too fast in its

public presentations of interest

The issue is particularly rele-

vant in the UK the day after chancellor Kenneth Clarke's

monthly meeting with Eddie

George, governor of the Bank of England, in spite of s stand-

still in the housing market and

a downward blip in consumer

credit, the overall movement of

the economy suggests that out-put is rising faster than fore-

casters expected. Goldman

Sachs makes a plausible case

that real gross domestic prod-uct outside the oil sector is

likely to rise by 3 per cent this

The conclusion of the invest-

ment firm is that "without

higher interest rates there is a

considerable risk of the econ-

omy growing much too fast for

comfort". There is a good

chance that the Bank will

express, and the chancellor

month, then next month or

soon after, Moreover, Goldman

Sachs persists in its call for

higher interest rates even

though underlying inflation is

at a 27-year low and well below

the Treasury's 'optimistic'

summer forecast. The Goldman

economists persist in spite of their own statement that the

composition of the recovery is

changing in favour of exports

(10 per cent up in volume on a

year ago) and investment (61/4

per cent up), and despite their

more optimistic assessment

both of the current balance of

payments and of the govern-

ment's borrowing requirement.

much of anything. But the

inflationary danger comes not

from too much output or too

much employment, but from

Obviously, there can be too

ccept, such a view, if not this

year and 4 per cent in 1995.

to cut them.

rate policy.

mitigated The object of policy should surely be to encourage a rise of expenditure in cash terms fast enough to support growth but not so high to finance an inflationary take-off. In current circumstances this would be about 5-6 per cent a year, not only in the UK, but also in many other western countries. However, the precise hreak-down of demand growth in any particular year between greater output and higher prices depends on the actions of husinessmen, trade unionists and other agents - as well as outside shocks and world events - and is not under the

control of policymakers. The current orthodoxy is not nonsense. The general idea is that future inflation depends both on the gap between actual and capacity output and the speed with which that gap is being reduced. The capacity gap is a useful aid to thought and I have used it in these columns in spite of sarcastic notes from former finance ministers. But to use it directly for setting policy presupposes a good idea of the trend growth of capacity, the present margin of unused capacity and the size of the capacity gap required to prevent inflation accelerating.

Annual change

18%

12%

Nominal spending and inflation

of ontput under unchanged suppose this knowledge exists. which the Bank claims to take a view, are not nearly far enough for its present approach. For the main ques-tion about current trends is not whether they may lead to s

temporary inflation peak of 4 per cent in 1996 - with which we could live - but s cumulative pressure on resources which will lead to ever rising inflation in subsequent years. It may be that because of supply-side improvements, the UK economy could sustain 4 per cent growth for several years

Domestic expenditure at current factor cost

Implied price deflator

1980 81 82 83 84 85 86 87 88 89 90 91 92 83 84

Nominal GDP target of 5% growth p.a. Allows, e.g., 24% Inflation plus 24% growth

or 0 Inflation plus 5% growth or 5% inflation plus zero growth

Nominal GDP versus inflation objective

Official target 1 5% to 4% inflation .

> No (even conditional) growth objectives Allows, e.g., 23% inflation and minus 1% growth Also allows price level to double in 28 years

It also depends on having a good idea of the likely growth. policy. It is idle pretence to

The two years ahead, on

ahead. On the other hand even 3 per cent growth may be too

Goldman Sachs makes a brave attempt to bypass these imponderables with two sets of leading indicators, which have had an empirical relation to inflationary turning points. The shorter indicator contains only three Items - import prices, earnings and gilt-edged yields. This indicator gives a lead sveraging six months, but it gave scant warning of the inflationary pressures of the late 1980s and its recent upturn is minuscule.

The longer indicator contains Il variables, ranging from monetary aggregates and house prices to industrial production and skilled labour shortages. The lead time here has averaged 20 months, but varied from 5 to 44. It has been rising, although not strongly, for 36 months, Such an index is a useful supplement to a conventional forecast, as are the bond market's inflation expectations. But all three signals together still leave 75 per cent of the decision to hunch, judg-

ment and fashion. My own often-stated preference is an objective for total national expenditure of which the headline measure is Nominal GDP and which can be popularised as a national cash hjective. It has the great advantage of not pretending that monetary policy influences only inflation, and its it will not be anyway.

pursuit would provide a safeguard against the kind of collapse of spending which look place in the 1930s Depression. A nominal demand objective would also provide some reas-surance against fears recently voiced by Jacques Delots - that downward pay flexibility would defeat itself by reducing demand for prod-ucts and labour. Indeed the Bank's economic

director Mervyn King went part of the way, in a littlenoticed section of his 1994 Institute of Fiscal Studies Lecture, to argue that by making use of the full range of the 11:-4 per cent official inflation target, something approaching the aims of a Nominal GDP objective might be fulfilled.

But quite apart from the question of whether that speech is official policy, it does not go far enough. For it still depends on what economists call a well-determined shortterm Phillps curve - that Is, an idea of the level of activity which would go with any given rate of inflation.

Many of the objections to a nominal demand objective misunderstand the proposal as one for sbort-term fine-tuning. That is why critics put so much emphasis on delays and revisions to the quarterly GDP data. In fact the intention is to influence the trend of spending rather than to hit a precise quarterly or even yearly path. If the Idea were ever taken seriously it would probably be best to concentrate not on the exact measure known as Nominal GDP but on some alternative such as domestic expenditure et factor cost.

The chart shows how this measure explains, more convincingly than any other kind of analysis, the effects of the credit boom of the 1980s. The rise in underlying inflation was not that great, but inflationary spending was diverted into imports, which provided a safety valve while policy was being tightened.

The outstanding advantage of a nominal demand objective in present circumstances is that It would reduce reliance on forecasts. If a set of leading indicators could be developed for nominal expenditure so much the better. But it would not be disastrous to rely on what is actually happening. A slump would soon show itself in the growth of nominal expenditure falling below a 5-6 per cent objective, as it did in 1991-92. Overheating would show itself in expenditure rising persistently above it. The ride would not be smooth, hut

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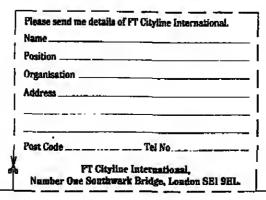
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LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Apec can be a force for global free trade

From Mr C. Fred Bergsten. Sir, My colleagues on the Apec Eminent Persons Group and I appreciate your thoughtful comments ("Seeking a role for Apec", September 2) on the new report, Achieving the Apec Vision: Free and Open Trade in the Asio Pocific, which we recenlly submitted to the Asia-Pacific Economic Co-operation Apec) forum. We would offer

our comments in response. First, you ask whether the extensive dependence of most Apec members on the US market is a sufficient basis for regional trade liberalisation. There are certainly other bases: the large potential gains from eliminating the substantial barriers that still dot the region; concerns about the weaknesses of the global trading system and inward-looking regionalism in other parts of the world: the security interde-

But the members' desire to maintain their trade access to the US propels them to-wards new liberalisation initiatives because trade policy clearly slides beckward towards protectionism in the absence of steady forward momentum

Second, you note the presence of important trade disputes among the members of Anec. The need to address such conflicts more effectively is in fact one of our main reasons for recommending prompt adoption of a comprehensive regional trade programme, including the creation of a dispute mediation service to help resolve the disputes directly. We would bope that euch a programme would inter alia induce the US to redirect at

pendence across the Pacific least some of its negotiating and the American interest in the dynamic growth of Asia. US government has announced publicly that it will not be raising labour and environmental issues in Apec.

Third, we are confident that Apec will respond positively to your query over whether its regional efforts will support the global trading system. Leading European trade nego-tiators have testified that last year's Apec summit in Seattle was a significant, perhaps the significant, turning point in bringing the Uruguay Round to

successful conclusion. Your concern that Apec would hurt the General Agreement on Tariffs and Trade by diverting negotiating resources is belied by the nearly simuita neous achievements of the Uruguay Round and three regional agreements - Europe

Trade Agreement. The global trading interests of all Apec members assure that they will do whatever is necessary to implement the Uruguay Round and strengthen the Gatt. Every proposal in our EPG Report either conforms fully to Gatt or goes beyond it to create new 'Catt-plus" arrangements.

Our group indeed believes that Apec can become a leading force for global trade prog-We look forward to further

dialogue during the run-up to the Apec summit that will address these issues in Indonesta on November 15. C. Fred Bergsten,

Eminent Persons Group, Institute for International

11 Dupont Circle, NW Washington, DC 20036-1207

Sauce of inflation

From Mr David Levaggi. Sir, Recent Royal Mint adverts reminding punters that the anniversary £2 coin issue will cease at the end of September prompts the suggestion that the issue of a permanent £2 piece is long overdue. On the other side of the Channel, French FFr20 and German DM 5 colus have been in circulation for more than two years.

Bottom-line Inflation may be 'only" 2.5 per cent, but £1 is a paitry sum compared with its purchasing power when sterling was first deci-malised in 1971. Then, many urged a basic unit based on 10 old shillings, complaining that a £1 unit was too large. There are still those who

complain of the non-availability of a £1 note south of the border (Hadrian's Wall not the Rio Grande). This is notwithstanding that it will not even huy two units of my regular measure of inflation - a 228g bottle of HP Sauce which remains unaltered in size, shape and nature of contents since the end of the first world war. What cost 4d (20.0167) in 1934 now retails, 60 years on, for about £0.58, a 35 times price increase, approximately. David Levaggi, 4, Grosvenor Street, Bury, Lancs BL9 9BJ.

Danger in making premature judgements

From Sir John Banham. Sir, The logic of your recent editorial ("England's local shambles", August 25) fell below the levels that your readers have come to expect. First, you assume what you

set out to prove: that the Local Covernment Commission will produce unnecessary structural change, while ignoring the advantages of a more prag-matic approach and of improvements to the existing two-tier system. You would be wise to wait before rushing to premature judgements. The commission is well aware of all the risks you mentioned; indeed, we have alerted you to many of them.

Second, the changes of which

From Sir Sigmund Sternberg.

you evidently approve - to cor-rect the mistakes made in 1974 - will only be possible with the kind of independent but local consideration that the review is able to provide. How otherwise can parliament sensibly identify the "handful of large cities" to become unitary authorities, and those "coun-ties...enjoying little local loy-alty" which, presumably, you would like to see abolished. Finally, you take us to task

for implementing one of only two reforms that you believe necessary to enhance local democracy, the use of advisory local referendums to give electors a direct say on local matters of concern to them. This is precisely what the Local Gov- | London WCIV 7JU

ernment Commission is now doing throughout sbire England, as we consult local people on the appropriote structure for their local gov-erument and to which there has been a magnificent and unprecedented response.

Of course, there are risks involved in the Local Government Review - just as there are in the alternative approach that has been adopted in Scotland and Wales. Managing them is not made easier by premature editorials riddled with Sir John Banham,

Dolphyn Court, 10/11 Great Turnstile, Lincoln's Inn Fields,

Code should be adopted

Sir, With reference to your article, "DTI rejects Labour plea" (September 7), one wonders whether the Department of Trade and Industry is the best forum to investigate cases such as Lord Archer'e Anglia Television share dealines. Consideration should be given to whether an independent body, such as the Institute of Business Ethics, comprising well-known people with practi-

cal experience, would not deal

more competently and speedily with these matters. It is unlikely they would need fivemonths to decide no further sction should be taken.

The Institute of Business Ethics has recently issued a code of conduct, which should be universally adopted. Sigmund Sternberg,

Isys. Hyde House, The Hyde,

Extreme answer

From K Campbell, Sir, Further to your report, "lil-health linked to low status" (September 6), of a study presented at the British Association meeting, why was it not possible to shoot the civil servants as well as the baboons in order to take blood samples? K Campbell, 223 Rookery road,

Handsworth, Birmingham B21 9PX

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday September 8 1994

John Major's Europe

lost no time in responding to tha challenge implicitly thrown out last week by his French and German partners when they outlined their separate, but overlapping, visions of the future development of the European Union. In his speech at Leiden yesterday, Mr Major welcomed "their emphasis on a more flexible Europe". Recall-ing his own preference for a multispeed Europe in which some states "should integrate more closely or more quickly in certain areas" than others, he none the less insisted that such develop-ment must be acceptable to all member states, and that "no member state should be excluded from an area of policy in which it wants and is qualified to participate. The French and German propos-

als have thus had the merit of obliging Britain to clarify its views. Mr Major named three areas "where conformity is right and necessary", which apparently means that there must be no optouts. These areas are interna-tional trade, the single market and - perhaps more surprisingly, but logically - the environment. (He should probably have added immigration, but this is an area the British government has not yet

clearly thought through.) Everything else, in Mr Major's vision, is à la carte. He claims a leading role for Britain in foreign policy and defence, while recalling that, on stage three of economic and monetary union, "I have thought it right to reserve the United Kingdom's position, and still do". Clearly what causes him anxiaty is the attempt by the German Christian Democrats, and perhaps also (though this is less clear) by tha French prime minis ter, to define a "hard core" of lead-ing member states, for which full nbership of Emu would be an essential qualification.

That would indeed be matter for

concern if the proposal were to from participating in such things as the common foreign policy or common defence. But no one has actually proposed that. The CDU proposal is almost as much analytical as prescriptive: it says that leadership in the EU must come from a hard core of countries which "participate as a matter of course in all policy fields, but should also be recognisably more community-spirited in their joint action than others". The CDU thinks that core will initially consist of only five countries, but "must be open to every member state willing and able to meet its requirements" and must indeed seek actively to involve other member states more closely.

The only point on which it clearly differs from Mr Major is in refusing to allow him a veto on the efforts of other countries to move ahead in areas for which Britain is not ready. Britain's pre-tention to such a veto must in the long run be politically unsustainable. For the rest, Britain will no doubt retain the right to opt out of Emu and other aspects of the EU that it does not like. But the more it exercises that right, the more it

Open science

Mr David Hunt, who makes his first public appearance as science minister at the British Association meeting in Loughborough today, could do one thing to please all sections of his new constituency without committing the Cabinet to an extra penny of public spending. He should announce an initiative to open up to public scrutiny the scientific committees that advise the government on a vast range of subjects, from genetic engineering to nuclear waste. At present all meet in private. In future, their meetings should normally be held in public, with appropriate arrangements to protect commercially confidential information.

Such a move would be overwhelmingly popular with all sec-tions of scientific opinion. The advocates of open scientific advice include not only academic researchers and environmental and consumer groups but also the biotechnology Industry. Companies complain that the present system gives the false impression that they have something to hide. Instead of the slow and secretive British system, the industry would prefer a quick public assessment of applications to carry out genetic engineering experiments, along US lines. A model is the US Recombinant DNA Advisory Committee. The first meeting of the Rac, as It is known, attracted 150 journalists in 1990; now a handful of reporters and other outside observers monitor its delibera-

Mr Hunt could make a modest start with a co-ordinated effort to

open up the expert committees advising on biotechnology, such as the Genetic Manipulation Advisory Committee, Advisory Committee on Releases into the Environment, and Gene Therapy Advisory Committee. But there is no reason to stop there, All committees giving independent scientific advice to the government outside the specific field of defenca and national security, should meet in public, as their US counterparts do under the Govern-ment in the Sunshine Act. Meanwhile, the policy-making committees of ministers and civil servants would, of course, remain closed as at present.

The opening-up process should .also extend to advisory committees on the civil nuclear industry, where the history of secrecy has left a legacy of public distrust which the young biotechnology industry rightly sees as an awful warning. As in the US, arrangements can be made to protect genuinely sensitive information withont shrouding the whole procedure in secrecy.

The sciantific community was sad to lose Mr William Waldegrave, the most popular science minister for many years, to agriculture in the July cabinet reshuffle. An open advice initiative would be an ideal way for Mr Hunt to establish his credentials as Mr Waldegrava's successor with the scientific world. At the same time, it would send a strong message that momentum has not been lost on another of his respon-

Trade embargoes

The ending of Malaysia's nine-month ban on public con-tracts for British companies is probably as much a cause of relief in Kuala Lumpur as in London. The dispute had become an embarrassing beadache in both capitals. But while the two sides now seek to restore normal relations, they and other countries should reflect on the wider lessons of this dispute, which underlines the dangers that arise when trade is held hostage to political objec-

Neither side can take much pride in its conduct. The ban, in response to UK newspaper reports that a British company had tried to bribe Malaysian politicians, was misjudged and out of proportion. If Malaysia's real target was the British press, as it claimed, it sbould bave sought redress through Britain's courts. It should also have been encouraged to do so by the UK government and offected companies. To their discredit, some British politicians and businessmen seemed keener to appease Kuala Lumpur, by calling into question the principle of

press freedom. Dr Mahathir Mohamad, Malaysia's prime minister, will doubtless argue that he has lifted the ban because he has made his point. As likely, however, is that it had become counter-productive. Dr Mahatir has ambitious plans for Malaysia to become an industrialised country by 2020. If it is to do so, it will need to continue attracting the inflows of foreign private capital and technology

that have fuelled much of its rapid development to date. The trade ban hardly sent a reassuring mes sage to prospective international investors, who have plenty of alternative destinations.

Malaysia is far from alone in trying to use trade - or unilateral threats to disrupt it - as a politi-cal lever. The US has also sought to do so, when pressing China and Indonesia to improve their human rights records. The Clinton administration also faces domestic pres sure to discriminate against imports from countries that do not respect US environmental rules.

Such tactics, even when well-intentioned, amount to an attempt by one country to impose its val-ues and standards on others, by force. There is also little evidence that they achieve their objectives. Indeed, in an ever more inter-de pendent world economy, they risk rebounding swiftly on their proponents. Witness Washington's retreat from threats to deprive Beijing of most favoured nation trade status, under pressure from warnings by US companies that such action would jeopardise their efforts to expand business in

The advance of global economic integration is bound to make the disparities between countries' cultural, political and social values more salient. To cope with the friction, what will be needed is increased efforts to accept those differences and, where necessary, negotiate constructively upon them. Aggressive unilateral trade actions are the wrong response.

"All onimals are equal, but some animals are more equal than others" - George Orwell, Animal Farm, 1945

ince its inceptioo, the European Union has rejected the notion of first- and second-class citizens. Talk of inner circles or exclusive clubs has always been taboo, despite stark differences in wealth, size and population among the member states.

Now Germany, the biggest and most powerful member of the club, has broken ranks. Last week, the ruling Christian Democrat party and its CSU coalition partners came out in favour of a Franco-German-led "hard core" of five nations committed to faster integration. The paper, echoing similar thinking within the French government, ended an uneasy truce over the pace and scope of integration which has prevailed since last November's ratification of the laastricht treaty.

Whether by accident or design, the Germans have triggered a debate on the issue at the heart of the EU's inter-governmental conferance in 1996 to review Maastricht: how can the Union preserve its integrated structure while embracing an ever-increasing number of mem-ber states, notably the former communist countries of central and

eastern Europe?

Most member states would prefer not to peep into this Pandora's box. Organising a European Union of 20 to 25 member states will require an overhaul of EU institutions and procedures, which could isopardise the delicate balance of national interests that has ensured political stability in western Europe for more than a generation

In an expanded Union, tiny Luxembourg (population 450,000) could not reckon on preserving its dispro-portionate voting power in EU deci-sion-making. The "Club Med" countries of Greece, Spain and Portugal risk reductions in regional aid to accommodate the east Europeans, "All these changes awaken fears among smaller and poorer states of being marginalised," says a Commission official.

For the UK government, the contents of the CDU/CSU paper threaten to reopen civil war in the ruling Conservative party. Mr John Major, prime minister, papered over divisions during his speech in The Hague yesterday, which called for new, flexible methods of co-opera-tion while rejecting the idea of a two-tiered Europe. But he remains trapped between Euro-philes, worried about Britain being left in Europe's slow lane, and Euro-sceptics, resolutely opposed to further

dilutions of national sovereignty. This week's diplomatic storm sur-rounding the CDU/CSU "discussion paper" would have passed quickly had its anthors avoided naming countries which they deemed worthy of membership of a hard core: the assumption that not all countries would enter tighter economic and monetary union on schedule by 1997-99 is hardly new. Indeed, the Maastricht treaty explicitly provides for a "multi-speed" formation. But by excluding Italy (a founder member of the European Community in 1957) as well as Spain and the UK, the German paper preempted a future decision on which countries will qualify for Emn and

caused a needless slight. Chancellor Helmut Kohl's explanation that the CDU/CSU paper was not official government policy served only to fuel questions about the timing and motives behind lt. Some observers viewed the paper as floating a trial balloon staking out the German position ahead of 1996; others saw it as a pre-emptive warning to the British and the Danes, the "semi-detached" members of the Union, who have long sought to temper entbusiasm on the conti-

nent for faster, deeper integration. Both views may overlook narrower German calculations linked to next month's general election. Mr Wolfgang Schänble, second only to Mr Kohl in the CDU hierarchy, and Mr Karl Lamers, the CDU's chief foreign affairs spokesman, launched the paper in the apparent hope that it would prevent the party's more

Lionel Barber explains the motives behind controversial French and German suggestions for developing the EU

Fresh meat from Europe's stable



conservative supporters defecting to fringe German nationalist parties, Significantly, the CSU came on board, despite the misgivings of Mr Edmund Stoiber, the CSU's Bayarian prime minister and avowed Euro-sceptic.

Yet It is also clear that Mr Kohl and his closest advisers are convinced that the time is ripe for an open debate about the future of European integration and Germany's place in lt. Mr Kohl remains determined to avoid a repeat of the Maastricht experience, when the Europe's policymaking elite lost touch with the public.

The paper's implicit message is hat a frank exchange must take place with France, Germany's most important ally. In blunt terms, it points to differences on economic policy, including competition law, the objectives of the common agricultural policy, industrial policy and trade. The paper says that, if Germany puts forward plans for deeper political integration, France must reciprocate with "equally clear and unequivocal decisions".

"France must agree to a common European foreign policy, not just continue with a French foreign policy," says a German official in Brus-

In a striking passage, the anthors argue that France's "basic" commitment to deeper integration remains indisputable; but they proceed to fret about French attachment to the nation atate. "The notion of the unsurrendable sovereignty of the 'Etat nation' still carries weight, although this sovereignty has long since become an empty shell." The dilemma Germany and France face is how to preserve the Franco-German alliance while

simultaneously widening EU mem-

bership to eastern Europe. As the CDU/CSU paper implicitly acknowl-

cal interests; but it also risks diluting France's political leadership role in the Union. France was a reluctant convert to

edges, enlargement clearly serves

Germany's economic and geographi-

the present enlargement of the Union to encompass Austria, Finland, Sweden and Norway - partly because it appeared to expand Germany's sphere of influence and tilt the Union northwards.

A senior Commission official predicts that the French will come

round to enlargement. Yet be warns that the Union will tilt even further The contents of the

CDU/CSU paper

threaten to reopen civil war inside the **UK's ruling** Conservative party

east: "The first round of enlargement will be Poland, the Czech Republic, Hungary and Slovakia, but the second round will come soon after. That means Slovenia, the Baltic states and, if the war in Yugoslavia comes to an end, maybe Croatia."

This week, Mr Edouard Balladur. French prime minister, perhaps with an eye on next spring's presidential election in France, staked out his country's position on future patterns of European integration. In his view, Europe could organise along the lines of three concentric circles. France and Germany would head an inner core; other EU members wishing to travel more slowly could join a second circle; while the east Europeans would be consigned to an outer ring reflecting their backward economies. Crucially, Mr Balladur avoided naming which countries would form the hard core, or how his version of "variable geometry" would operate in practice.

In fact, "variable geometry" is a highly complex subject upon which the best technocratic and legal minds in Europe have only just started to reflect. The German plan for an inner core, Mr Balladur's remarks and Mr Major's speech yesterday all offered different patterns of integration. The difficulty is that variable geometry can mean different things. In rough terms, there are three options:

 Variable speed Europe. Most wrong with countries moving at a different pace towards common objectives. Britain was involved in the creation of tha European Monetary System, but only joined the European exchange rate mechanism several years later. Similarly, less developed economies such as Greeca and Portugal are allowed "derogations" or transition periods for single market legislation in banking and insurance.

 Europe d la carte. The consensus is that complete freedom of choice to accept or reject core obligations. such as the common agricultural policy or a common competition policy, would undermine the Union beyond repair. It would conflict with the treaty of Rome, unravel the single European market, and destroy the single institutional framework embracing the European Commission, the European Court

and the Council of Ministers. Variable geometry. This option lies somewhere between the two above options. It would acknowledge that some member states have different interests, but flexibility would heve limits. Variable geometry would be subject to agreement

by all other member states. In practice, variable geometry already exists. Britain does oot take part in the social chapter of the Maastricht treaty. Denmark has special protection against foreigners buying second homes. Ireland is not a member of the West European Union, the EU's emerging defence arm. France is a member of Nato, but is not a member of the alli-

ance's integrated command.

The challenge is bow to apply variable geometry in an expanded Union, and how to adapt it to deal problems posed by the entry of the east Europeans. "The paradox is between what you want politically on the one band, and what is mathematically sustainable on the other." says Mr Hans Van den Brock, EU commissioner for exter-

nal political affairs.

The attractions of variable geometry are immense: able and willing states could press ahead according to their own pace, while others would retain the freedom to stay behind or catch up later. It could also allow the east Europeans generous transitioo periods in which to prepare for full EU membership. Yet the risks are also considerable if the variable geometry grants too

senior EU official points out Britain may not subscribe to the social chapter, but it is bound by social policy provisions in successive European treaties: "The social protocol [in Maastricht] is only a small part of the whole." Similarly, there are big risks in allowing member states to opt out of EU decisions. Under a 1971 European Court ruling, where the Union has been given "competence", or responsibility, in areas covering the internal market, it extends automatically to international negotiations. Hence a decision to allow 10 members of a 25-member Union to opt out of legislation covering air quality would create a legal and political minefield. "The Japanese and Americans would rightly ask who the EU was representing," says one

legal official. The issue of wbether the EU through the Commission - has a distinct legal personality in matters such as trade has led to friction with France. Arguments over individual rights and collective responsibilities are equally important in the area of foreign and security pollcy, where full freedom to oppose

decisions would paralyse the Union. Many observers believe that the answer to these conundrums lies in constructing a minimum set of rules and obligations to which all member states could subscribe, perhaps in a new Euro-constitution. Franco-German thinking appears to be proceeding on these lines, coupled with a stricter definition of Union-wide competences and matters reserved for the nation states.

Yet all these attempts to resolva disputes over the shape of Europe ignore the present political confragile state of public opinion. Moreover, the bargains necessary for a comprehensive agreement have barely been identified, let alone negotiated among the existing and future member states.

Thus France has yet to signal the degree to Which it will commit itself to pobtical union in return for the prize of a single European currency. Despite Mr Major's speech yesterday, Britain has yet to reveal bow it reconciles claims to be at the heart of Europe with its opt-out of European monetary union and non-participation in other areas.

Perhaps the most promising area is defence, where tight budget constraints and the US administration'a active support for a new European force operating under the Nato umbrella may succeed in

accelerating agreement in 1996. But many diplomats in Brussels suspect that the temptation will be to defer tough choices, even if the price is a delay in EU membership for the eastern Europeans. What is clear is that the past few days have witnessed the start of a constitutional debate on the future of Europe. Nobody can stop it.

OBSERVER

Hard-hitting mouth-piece

■ Alastair Campbell, the journalist recruited by Labour leader Tony Blair as his personal press spokesman, is clearly not a man to pull his punches.

The 37-year-old Cambridge graduate, most recently assistant editor on Rupert Murdoch's left-leaning Today newspaper, is fondly remembered by fellow hacks chiefly for his showdown with Michael White, the Guardian's political editor, just after the maritime disappearance of Robert Maxwell. The amiabla White was musing upon the fate of "Captain Bob, bob, bob, bob ..." Campbell, then political editor of the Daily Mirror, leapt to the defence of his deceased proprietor, and there followed a sprited physical exchange. Enter the intrepid David Hill, Labour's chief spin doctor, who broke up the warring factions.

But Campbell obviously made an impression. No doubt he and Hill are now in search of subtler ways to nut across their views.

Fingered

Russians seem to have a sweet tooth - and are willing to pay for it. In return for the 200 tomies of Cadbury's chocolate fingers Hillsdown Holdings sold to Russia this year it has received hard cash.

No bartering, and absolutely no attempt to pay for the nibbles in plutonium. But, says chief executive David Newton, finance director Raymond Mackie has been known to light up in the dark. . .

Clean fight

Guess who is thumping the morality tub in the fight for a US senate seat in Virginia? Why, none other than Oliver North, the retired Marine lieutenant colonel who lied to the US Congress over the

Iran-Contra affair. North - wbo says "character always counts in a campaign" accuses his main rival in November's election, Senator Charles Robb, of having a "seriously flawed" character and lacking the "moral force" to hold public office. The strack is based on Robb's admission of "socialising in situations not appropriate for a married man", while serving the state as governor in the mid-1980s.

Fishy chips

T.J. Rodgers, chief executive of Cypress Semiconductor, a Silicon Valley chip-maker, was once a rather odd fish in the arcane world of the US semiconductor industry. While most US chip producers rush for the trough as soon as they sniff government money, Rodgers has often bitterly attacked such



T had a nightmare that Ian Paisley was in my office and I couldn't tell

He once laid into Sematech, a government-industry semiconductor research and development consortium formed in 1987. Sematech gets half its loot from the Defense Department, the rest from member companies. Rodgers saw Sematech as nothing more than a hand-out for those chip industry fat cats not up to fighting international competition.

Times change. Now Cypress Semiconductor says It's taking a \$500,000 grant from the Minnesota's Department of Trade and Economic Development toward the cost of building what the company describes as "one of the most

advanced semiconductor manufacturing facilities in the world". Then again, perhaps it's a virtual reality plant thet doesn't actually exist.

Stamp it out

No wonder the Royal Bank of Scotland had such a ready translation for that disturbing business about retrocessing. reponing and restoring that Observer ran across in a Bank of Scotland letter, Why, the RBS itself is no slouch when it comes to obfuscation. Take its securities division, which instructs a customer to forward his dividend mandate form to his own bank, whereupon "they will verify the details by adhibiting their branch stamp ... Naturally.

Gated

■ When Michael Heseltine unfolded his notion of the new "linear city" to the east of London in 1991, he picked the decidedly unpromising tag of East Thames Corridor for the project. So what can we expect from the rechristened Thames Gateway?

Environment minister David Curry was claiming credit for the new moniker when he launched an action plan for the area yesterday. East Thames Corridor had sounded a bit "Kafkaesque", he said, and, rather than spend years agonising over a new name or running

competitions to choose one, he simply "sat down and made the

Good to see a minister willing to nake a tough call. But what a pity that the same spirit of determination does not extend to the corridor itself. Yesterday's plan had no new

offer. At this rate, Thames Gateway will be more of s linear village than

Yours, unsigned

■ Another politician taking a tough line? John Redwood, the rightwing Welsh secretary, makes a practice of not signing letters written on his behalf in the Welsh language. It is apparently his policy not to sign etters unless he can "understand fully" what he is signing. Just as well his colleagues aren't all so sempulous.

Sinned against

■ One can begin to understand why Democratic Unionist lan Paisley has become a trifle jumpy recently when the international Herald Tribune styles Sinn Féin boss Gerry Adams as "the radical republican leader of Northern Ireland". In the European elections in June, Paisley polled 29 per cent and Sinn Fein 10 per cent of the vote in the province. But then



FINANCIAL TIMES

Thursday September 8 1994

RTZ is not just a reflection of the commodity price cycle. What it con-trols it controls well. In most sectors,

the group remains the lowest-cost pro-

ducer. Operating margins at the bot-tom of the cycle were a creditable 13 per cent. These have now reached

23 per cent, an increase admittedly helped by the disposal of Pillar's rag-

bag of low-margin businesses. More cost-cutting is promised. As for vol-ume growth, RTZ continues to invest

in new projects. Capital investment nearly doubled in the first half, and

exploration spending on long-term

But RTZ cannot control prices.

Recent rises augur well. Since June non-ferrous metal prices have ad-

vanced 16 per cent, those of copper by

23 per cent and aluminium by 18.6 per

cent. Such increases have contributed

heavily to the shares' advance. Less clear is whether these higher

prices are sustainable. Habitually cau-

tious RTZ managers are unusually

upbeat about economic prospects. The

leading economies appear to be lining up in the same direction, offering the

prospect of synchronous economic

growth. The danger is that the com-

modity market, pushed partly by spec-

ulators' hot money, has over-antici-pated the recovery. As in the plastics and paper industries, where prices have also moved forward sharply,

much of the increased demand has

come from restocking. If stocks fail to

fall this antumn, metals prices could suffer a correction. That would knock

inflationary pressures on the head. But it would also shake stocks such as

RTZ which have risen on expected fur-

It may be wrong to pin the blame for yesterday's fall in the Tokyo market

on the 5 per cent fall in Japan Tele-

com's share price. But the issue's

high-profile flop has certainly put the

Japanese system for pricing equity offerings under the spotlight, Japan Telecom was designed to appeal to for-

eigners. There is a danger that it will

instead reinforce investor suspicions

that buying new Japanese equity is a

Japan's system for pricing issues

was introduced following the Recruit

share scandal of the late 1980s. Then

the problem was that new issues typi-

cally shot to handsome premiums and

friends by allocating them shares. But

n combating corruption, the current

mes come reward then

ther price rises.

Japanese equities

quick way to lose money.

projects is np two-thirds.



French business chiefs 'suspect corruption rife'

By Alice Rawsthorn in Paris

Two out of three French company chairmen suspect that illegal practices are rife in many companies, according to a poll published in today's Le Monde

newspaper.

More than half of husinessmen believe France should launch an ltalian-style crackdown on white collar crime, the poll finds.

its publication follows Tuesday's news that Mr Jean-Louis Beffa, chairman of the Saint-Gobain glass group, has become the latest prominent French industrialist to be placed under judicial investigation.

Mr Beffa was questioned by a magistrate looking into claims that in 1988, Pont-à-Mousson, a pipe-making subsidiary of Saint-Gobain, paid FFr4.4m (£520,000) to a Nantes businessman to secure a water supply contract.

It is claimed the money was then given to an official of the Republican party, which is led by Mr Gerard Longuet, industry minister, and Mr François Léotard, defence minister. Mr Longuet, on French radio, praised Mr Beffa as "an extraordinary man" and that the party had "nothing to do" with the investigation.

Saint-Gobain chief is latest to come under investigation

time when France's investigating magistrates are taking a tougher line on corporate fraud. Mr Pierre Blayau. who worked at Pont-à-Mousson in 1988 but now heads Pinault-Printemps, France's largest retail group, has been under investigation in the same case

since May. Mr Plerre Suard, chairman of the Alcatel-Alsthom electronics concern, faces accusations of using corporate money for work on his home. Mr Pierre Bergé, head of the Yves Saint-Laurent fashion house, was investigated for insider trading.

Earlier this summer, Mr Didier Pineau-Valencienne, chairman of the Schneider electric engineering group, was held in custody in Brussels while being questioned in a fraud probe. Mr Bernard Tapie, the controversial entrepreneur and Euro-MP, faces a battery of charges, and at least 100 less newsworthy businessmen are also believed to be under favour a clean-up. The Le Monde poll backs a similar poll in the latest Enjeux Les Echos maga-zine, which found that 56 per cent of chairmen advocated a jian, a Gaullist MP, yesterday called on French radio for the company heads under investiga-

tion to resign. Yet there is growing concern about the ferocity of the recent probes and the adverse publicity

they generate. The news of the Beffa probe on Tuesday took a heavy toll on Saint-Gobain's shares and the entire Paris stock market. However. Saint-Gobain's shares yesterday rallied by 1.1 per cent to

FFT645 Mr Louis Giral, a candidate for the chair of the Patronat, the representative body of France's industrialists, yesterday called for a halt to "this massacre game". Justice must be done, he said. "But I wish that the judges were aware of the implications of hauling in the head of a com-

than thin steaks.

Several different types of information - on temperature, colour and smell - are needed to know that cooking is done and - of course - different cooks have different views on what constitutes

home already knowing how Sharp thinks food should be

It is not known whether it will be adjustable for vegetables al

duction in the last financial

But information about the new product leaked out at the British Association festival of science in Loughborough yesterday, at a meeting to discuss applications

Publicly, most French busi-The Beffa probe comes at a nessmen and politicians claim to pany." **US says Japan trade talks**

By George Graham

The top US trade negotiator yesterday warned that the US and Japan are still a long way from any agreement in their framework trade negotiatious, and that no breakthrough was

likely in talks this week. Mr Mickey Kantor, the US trade representative, said he did not expect that "any dramatic announcements or breakthroughs in the near term" would follow his meeting in with Mr Ryutaro Hashimoto, Japan's trade minister, nor his talks today with Mr Yohei Kono, the Japanese foreign minister and deputy prime minister.
"I think this is a time for lis-

tening and exchanging Ideas," Mr

This sober assessment of the chances of a quick agreement came as the clock ticked away towards a September 30 deadline, when the US must decide whether to impose sanctions on

Japan in retaliation for what it sees as unfair trade practices. Mr Kantor said no decisions had yet been made on sanctions.

"We are going to listen and lis-ten carefully," he said. But Japanese officials in Washington warned that they would not take US sanctions lying down, and might instead take the issue to a panel of the General Agreement on Tariffs and Trade. None of the three sectors tar-geted by the US-Japanese framework agreement - government procurement, cars and car parts, - appears close to resolution, although Japanese officials are more hopeful than

insurance deal. in talks on government pro-curement, the two sides are still far apart over how to measure progress in expanding foreign bidders' access to the Japanese

market This division is a reflection of the broader disagreement between the US and Japan over whether the use of numerical

stay far from breakthrough indicators to measure progress amounts to the setting of unacceptably inflexible targets.

Japanese officials complain that the US insists on an indicator tilted towards a substantial increase in market share in each monitoring period, while they want a neutral indicator of prog-

The car and car parts talks are ven further from agreement. Japanese officials point proudly to statistics showing a 47 per cent increase in imports of US automobiles in the first seven hs of this year, even while the overall Japanese car market

their US counterparts about an But they balk at giving any kind of government assurance to back up the Japanese carmakers' voluntary commitment to increase their purchases of USmade auto parts.

The US is also seeking to add flat glass to the sectors under discussion in the framework

Home Shopping buys into Internet

Continued from Page 1

near term and a leg up on interactive TV for the longer term. "There are many advantages for online users and operators users can shop whenever they

desire from home or office, while

providers avoid the expense of

AND THE STATE OF T

producing and mailing cata-logues and escape the overhead costs of store facilities.

The Internet Shopping Network is available 24 hours a day, seven days a week, from anywhere on the Internet. Users with Macintosh, Windows or Unixbased computers, fitted with a

modem and communications software, can connect to ISN. To order goods from ISN users must first provide the service with delivery and billing information by telephone. This avoids sending sensitive data over the Internet which has been plagued with security problems.

Sharp smells success with new ovens

group, is to install an electronic nose into microwave ovens manufactured at its plant in Wrex-ham in north Wales.

feed information into a neural network programmed to recognise the characteristics of differ ent foods when they are cooked. Neural networks are sophisticated computers, inspired by models of the human brain, that can be taught to recognise com-

Sharp is refusing to discuss its new product before its official announcement on Monday, but journalists who have got a smell of the story expect to be told that it will mean the end of the overcooked and dried np food that inexperienced cooks find all to easy to produce with current

ral network is that cooking is a complex process and it is difficult to decide when it is complete. For example thick steaks need to be cooked for longer

rare, medium or well-done.

The neural network will be programmed in the factory, so the microwave will arrive in the cooked

was opened in 1975, manufactures microwaves, VCRs. typewriters, and word processors. It employs 1,300 people, and properiod was valued at £120m (\$186m) according to Mr Mike Williams, director of personnel and general affairs.

wave at a press conference in Wrexham on Monday, with the company's president, Mr Harno Tsuji, flying in from Japan to make the announcement, and a government minister scheduled

of neural networks.

relations for Sharp UK said: "As far as Sharp is concerned we have a press conference on Mon day."

CFC black market revealed,

By Andrew Derrington

Sharp, the Japanese electronics

ell sensors in the ovens will

plex patterns.

The advantage of using a neu-

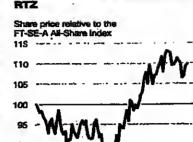
Sharp's Wrexham plant, which

Sharp had been planning to release news of the new micro-

Asked about the release, Ms Caroline Barratt, head of public

THE LEX COLUMN RTZ rides the cycle

FT-SE Index: 3203.9 (-1.5)



system has brought its own problems. The main difference between the Japanese system and the "book-building" process used in most international equity issues is that the price is set through an auction near the start of the offering period rather than near the end. The delay between pricing an

time to analyse a stock before placing Japan Telecom is due to be followed several other large issues. Japan Tobacco is next in line and two railway companies, JR West and JR Central, are expected next year. It is too late to alter the system for the Tobacco sale, But if future flotations are to attract foreign investors, Tokyo

will need to bring its issuing practices closer into line with international

issue and trading means the share price is a hostage to wider market

movements. Investors also have less

Electronic shopping

It will be long before many Americans turn on their personal computers instead of motoring down to the mall for their shopping. But Home Shopping Network's acquisition of the Internet Shopping Network brings that day somewhat closer. Until now, most companies retailing goods over the Internet - including ISN itself have been small start-up ventures. HSN, which owns the largest US cable TV shopping channel, has the finan-cial fire-power to develop computer shopping. It also brings established relationships with a multitude of man-

In the longer term, TV and computer shopping should merge. With

TV sets will become interactive. Peo ple will no longer sit passively as goods are paraded in front of them and then place orders over the telephone. Instead, they will be able to search for items and buy them with the press of a button. Similarly, computer shopping - mainly scrolling through text listings - will increas-ingly be enlivened by moving pictures. HSN may have gained something of a head start by acquiring ISN, but the field promises to be crowded. Com-puter groups such as Microsoft, tele-communications operators and rival cable shopping channels such as QVC are all eyeing the opportunities.

advances 45

Hillsdown Holdings

On the surface the market's attitude to Hillsdown Holdings seems a bit churlish. Despite the improvements wrought by the new management – assets generating some film of turn-over have been sold in the last couple of years with virtually no loss in profit - Hillsdown's shares still carry a yield of more than 6 per cent. That looks high for a company which claims to have turned the corner, is now generating cash and is talking about acquisitions and higher dividends. But Hillsdown must pay the price for its failure to cut its dividend in the recession. Even now its payment is less than twice covered.

Memories of the bad times will be slow to fade. After all, profits fell by more than half between 1989 and 1992. The market, too, needs more evidence of Hillsdown's ability to grow. Since there is not much sign of food price inflation in the shops, margin improvement will require tough control on costs and a judicious juggling of product mix. Recognising the need for acquisitions is one thing. Finding suitable ones is another. Hillsdown implicitly admits as much by clinging to its housebuilding assets on the grounds that it could not easily replace them with a more lucrative investment in food.

Nor has the market failed to recognise the improved outlook. Hillsdown trades on a higher multiple than both Unigate and Northern Foods and has outperformed the sector by 30 per cent since the start of last year. That looks like enough for the moment. The muted reaction to yesterday's promise of resumed dividend growth suggests rate of earnings expansion rather than higher pay-outs.

This announcement appears as a matter of record only.



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Europe today Autumnal weather dominales western Europe, caused by a large depression over northern Ireland. A frontal zone associated with a low over the northlarge areas of France. The front will cause showers to linger over northern Spain. The Alps can expect frequent thunder storms, while thunder showers will develop in Germany and the

iceland, north Scandinavia and central Five-day forecast It will be unsettled from north-west Europe into Scandinavia. The UK, the Benefux and the Alps will have more showers. Sun will return to parts of the Mediterranean. South-east Europe will

partly cloudy in the west but mainly sunny in the east, Poland, south Scandinavia, Finland and north-west

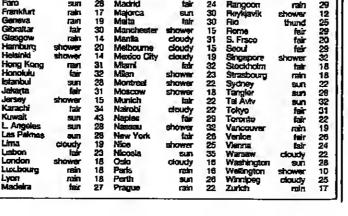
Russia will have showers. A mixture of cloud and sun will cover most of

FT WEATHER GUIDE

TODAY'S TEMPERATURES

Caracas
Cardiff
Casabian
Chicago
Cologna
Dakar
Dallas
Delhi
Dubai
Dubrovni
Edinbern

We wish you a pleasant flight. Lufthansa







FINANCIAL TIMES

PANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1994

Thursday September 8 1994



IN BRIEF

Promodès advances 15%

The recovery in French retailing was highlighted by the 15 per cent rise in first-half net profits at Promodès, one of the country's leading distribution groups. Page 14

Groisch predicts strong advance Groisch, the Dutch beer brewer, reported a near 20 per cent rise in first-half net profit and predicted that full-year results would increase at roughly the same rate. Page 14

Japan's steelmakers revise forecasts
Japan's five main steelmakers have revised their
first-half forecasts to indicate that the steel sector will report greater losses than last year. Page 15

New titles drag down ConsPress Mr Kerry Packer's Australian Consolidated Press. the magazine publishing group, reported an 8.9 per cent fall in profits after tax and abnormal items to A\$55m (US\$41m) in the year to end-June, because of "losses incurred on the development of new titles".

Mitsui calls off merger
The Mitsui Group, the oldest of Japan's keiretsu –
corporate families – has called off a proposed merger with Toyama Chemical, designed to expand its pharmaceuticals interests. Page 17

US financier awaits Acts of God bonds US hurricane futures, European flood options and even "Acts of God bonds" will be traded within the next few years, predicts Mr Richard Sandor, a US financier and a founding father of the financial derivatives industry. Page 17

Food group meets shareholder demands Goodman Fielder, the Australian food group, has bowed to the demands of dissident shareholders, and agreed to appoint three of their nominees to its board - thus avoiding a proxy battle next month.

NFC spelis out its strategy NFC, the UK's largest transport and logistics group, insisted that it was committed to its strategy of focusing on higher value added business, such aslogistics and moving services, despite the sudden resignation last month of its chief executive, Mr Peter Sherlock, after only 18 months in the job.

Armee rises despite loss on sale Pre-tax profits of Amee, the international engineering and construction group, increased slightly from £9.1m to £9.3m (\$14.4m) in the first six months of 1994 in spite of a £3.2m loss on a property sale.

Wellcome gives Glaxo a headache Wellcome, the UK drugs group, has thrown down a challenge to its rival, Glaxo, by reporting successful tests of a new anti-migraine drug. Page 22

British Gas rethinks Kazakhstan project British Gas is reconsidering its planned multibillion dollar investment in Kazakhstan; according to industry officials. Page 24

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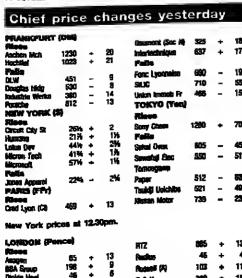
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By Andrew Adonis in London

IBM said Mr Hans-Olaf Henkel was resigning as chairman and chief executive of IRM Europe to return to Germany, where "a sig-milicant career opportunity" had opened for him. Mr Henkel was president of IBM Germany until

By David Buchan in Paris

Total, the French oil and

chamicals group, yesterday reported virtually unchanged first-half net profits of FFr1.98bn

(\$356m), in spite of weak crude prices and refining margins, com-

pared with FFr1.93bn a year ago.

Mr Serge Tchuruk, chairman, said given the volatility of petro-

leum and currency markets he

could could not forecast how 1994

results might compare with last

year's FFr3.1bn profit. He claimed increasing financial

strength, however, for the group which improved its cash flow in

the first half by 4 per cent to

Net investment was cut by

FFr1bn to FFr4.6bn and net debt

to-equity gearing ratio reduced to

20 per cent from 23 per cent at end-December.

Turnover rose slightly to

FFr68.7bn in the half year

because increased sales volume

was offset by lower prices. The

southern Europe, the Middle East future of IBM Europe and gave and Africa, based in Rome. Mr no hint that he was contemplating a move. third head in just over three

cision was "entirely personal with no strategic implications", but it made no attempt to disguise the suddenness of the

the next board meeting in early December, Mr Henkel expressed confidence two months ago in the

His resignation comes amid indications that IBM is re-evaluating its European operations, aiming to give a greater international focus to its marketing.
IBM's Italian operations have

received strong ratings from analysts, with Mr Stanca - a respected Italian public figure seen as anxious to safeguard its autonomy. However, the parent company said yesterday that his appointment would not herald immediate changes, and denied that any wider re-evaluation was

reshaping of the computer mar-ket continue to have a traumatic impact on IBM, notably in Europe. The company has shed nearly 30,000 jobs across Europe since its peak in the late 1980s, reducing its workforce from 112,000 to 85,000, with another 10,000 posts are to be lost this year. The worldwide workforce will be cut by a further 20,000 this year to 215,000 and more joh

cuts appear likely in 1995. The cost cutting appears to have stabilised IBM's position. Its sacond-quarter aarnings, announced in late July, showed higher than expected earnings on the back of sharp reductions in frame computers was strong but it still faced "serious problems" in its personal computer operations.

IBM's second-quarter earnings of \$689m, equal to \$1.14 per share, were well above analysts' estimates of 45-80 cents per share. For the same period in 1993 IBM had reported a loss of \$40m, or 8 cents per share, before heavy restructuring charges bringing net losses to \$8bn.

In terms of sales, however, Europe was static for the second quarter at \$5.5bn, with increases for the group reliant on growth in the Asia-Pacific region which picked up 14 per cent to \$2.8bn.

20.2

'Telecom shock' hits Japanese market

By Emiko Terazono in Tokyo

"Telecom shock" has hit the Tokyo stock market. Shares in Japan Telecom, the country's third largest telecommunications company, have fallen by 5.7 per cent from their issue price of Y4.7m (£30,730) since trading began on Tuesday, Yesterday alone, Japan Telecom shares lost Y220,000, or 4.7 per cent, to close at Y4.43m. The decline washed into the wider market, pushing the Nikkei 225 index down by 370.18, or 1.8 per

cent, to 20,023.80. Japanese stockbrokers have been caught out, "We thought Telecom would bring investors back to the market," said Mr Yasuo Uekl, general manager at Nikko Securities.

Brokers had hoped that the Japan Telecom listing would revive the market.

"Telecom shock" has raised worries over next month's Y900hn (£5.9hn) flotation of Japan Tobacco, the semi-privatised tohacco and salt company. Although public pension and insurance funds moved to stem tha Nikkei'a fall yesterday,

recent declines have confirmed weak underlying sentiment.

The Nikkei rose 24 per cent

during the first six months of 1994 on buying from the US and

Europe, but a widening belie that corporate earnings would improve only gradually weighed on share prices in recent months Investors fear a repeat of last year's decline triggered by the flotation of East Japan Railway which dropped Y1,000bn worth of shares on the market. The Tokyo stock exchange's computer system almost collapsed due to a surge of sell orders, prompting the Nikkei to lose more than 20 per cent in a

Lex, Page 12 World stock markets, Back Page

month.

Successor named amid rumours of radical restructuring by troubled computer group

BM's European head resigns

The European head of International Business Machines has resigned after less than a year in the post, prompting speculation of radical restructuring in the European operations of the trou-bled computer manufacturer.

He is being replaced by Mr Lucio Stanca, currently general manager of IBM's operations in IBM stressed that Mr Henkel's

move. Mr Henkel will hand over his responsibilities as chief executive with immediate effect, and will remain chairman of the IBM Europa board – a post he assumed only in January - until



its rose 16 per cent on the back of Total's goal is to produce Im more demand from the European car and packaging industries. barrels a day by the end of the century, or more than it will be Mr Tchuruk said Total had refining, as a correction to its showed a better return on capital previous over-dependence on over the past four years than downstream activities.

Its main prospecting areas for oil are the Middle East, where Mr Tchuruk confirmed that Total oil industry, partly because much

"like every other company" was talking to Iraq but would do nothing until United Nations sanctions were lifted.

Aquitaine had been privatised,

"There are too many actors and a great many needs for restructuring in the European Mr Tchuruk said although Elfwould remain difficult.

market", which he forecast The Total chairman said that "we are open to opportunities"

of it was in state hands.

main sectoral improvement was chemicals, where operating prof-TZ lifts interim profits by 26% to £427m

By Kenneth Gooding, Mining Correspondent in London

RTZ, the world's biggest mining company, yesterday pleased the London stock market by reporting interim profits at the top end of analysts' expectations and armouncing that it was to be the latest big UK company to pay a foreign income dividend (Fid). Fids allow significant advance corporation tax (ACT) savings for companies that generate nearly all their income out-side the UK. In the first half, only 1 per cent of RTZ's net earnings arose in Europe, including the UK.

Mr Bob Wilson, chief executive, said a Cost savings totalled £17m. combination of lower tax, higher volumes, Mr Wilson said the underlying world improved metals prices and reduced costs helped to lift pre-tax profits by 26 per cent from £339m to £427m (\$662m) in the six months to June 30.

Volume increases boosted net earnings hy £25m compared with the first half of

1993, mainly from new or recent investments such as the Flambeau copper and

gold mine and the Powder River Basin coal operations, both in the US, and the first two expansions of the Escondida cop-Higher prices contributed an extra £16m.

per mine in Chile.

economic outlook was brighter than it had been since the 1980s. The US economy was firm, Europe was recovering and Japan at least had hit bottom. Other Asian markets remained promising, although there were

some doubts about China. First-half turnover rose by 10 per cent from £1.69bn to £1.86bn. Earnings per share were up 6 per cent from 24.9p to 26.3p. Excluding exceptional items, they rose by 30 per cent from 17.5p to 22.7p.

Operating cash flow remained strong at £336m. Net debt fell to £196m from £384m

G

The tax charge fell from 39.5 per cent to 31.9 per cent, mainly because there was no provision for write-off of surplus ACT. Mr Chris Bull, finance director, said it would be prudent in future to assume the charge would be about 33% per cent.

at the end of December, and represented only 5 per cent of total capital.

The Fid per share is 9p. The 1993 interim dividend was 13.5p, but RTZ said this was not comparable because of the way it structured last year's dividends. RTZ shares closed 13p higher at 885p.

Lex, Page 12 How Fids work, Page 19

rival oil groups, and was replac-

ing oil reserves at a higher rate and at a lower cost than others.

hen one of the UK's larger and steadier retail financial organi-- Halifax Building Socisations ety, the biggest mortgage lender - plans to set up its own life insurance subsidiary, it may seem heretical to question the

benefits of bancassurance. Yet half-year results for organisations which have set up subsidiarles suggest limitations on the strategy – which involves selling financial services products through bank and building society branch networks.

The most spectacular drop was at Black Horse Financial Services, the Lloyds Abbey Life arm which sells only to customers of Lloyds Bank, which reported a 40 per cent drop in sales for the first half of the year. Other bancassurers also reported flat or worse

The rise of branch networks as means of distribution is not unique to the UK. Sales of life insurance products through banks have been growing rapidly from the late 1980s in France, Germany and other European

The underlying logic behind hancassurance remains: it offers a low-cost, high-productivity method of distribution. A wholly-owned subsidiary gives the bancassurer control over the product and gives it all the profit from

But UK bancassurers are especially affected by pressures such as the increasing costs of meet-ing regulators' training and compliance procedures "The typical Barclays customer

will have a relationship with a number of other providers who are in bancassurance as well," says Mr Ken Bignall, chairman of Barclays Life. The specific limits within which bancassurance works helps to keep costs down, but also mean checks on their

At Woolwich Life, the jointlyowned subsidiary of Woolwich Building Society and Sun Alliance insurance, the range of

Alison Smith doubts the benefit of diversification Bancassurance's golden egg loses its shine in UK

products is deliberately mort-Mr Michael Turner, chief executive, says this enables them to focus training and systems on these products. However, it provides less prospect of developing

income streams which are particularly beneficial when the housing market is depressed. "The mortgage market has been pretty flat, and business has been mirroring that," he says.

ancassurers restrict them-Bancassurers restrict themselves to the bank's customer bases. This may not seem much restriction when, as in the case of Barclays and TSB Group this can total 7m, but only TSB believes it can aim to provide financial services to more than half its customers. Most other bancassurers expect about a 30 per cent penetration of the retail customer base.

Mr Stephen Maran, chief executive of Lloyds Abbey Life, says that while there is a finite customer base, customers who have bought life insurance once are likely to do so again. He adds, however, that the customer base will mature over time. "Then you have to find other affinity

groups, and do the same." A further restriction lies in customers' tendency to think of financial institutions in separate categories, even when they offer similar ranges of services. A poil for the National Consumer Council in July showed

that for cheque accounts Britons were most likely to go to a bank, but for life insurance most likely to go to a life company. Mr Lawrence Churchill, chief executive of NatWest Life, says

that only about 30 per cent of National Westminster customers realise they can go to the bank for a pension plan. "We have to build awareness that NatWest is not just where you go for cash."

Would-be bancassurers also have to cope with the fall in customers visiting bank branches. A recent survey by Mori for ICL, suggested that only about twothirds of British bank customers enter their hranch regularly. Some bankers say even that figure seems too high.

Banks will have to develop other strategies for contacting customers, such as direct mail where the impact of the brand and the existing relationship may

"We have to use a different communication channel to speak to these customers," says Mr Peter Ellwood, TSB group chief lot of our contacts from writing to customers. We can also speak to customers over the phone.

The passing of information shout customers from the bank to a life insurance subsidiary, is also being restricted under pressure from consumer groups. Whether conventional life com-

panies or bancassurers, the financial services industry is under pressure. As the number of bancassurers increases, so their total market share is likely to increase as well, but perhaps not at the overall volumes of business or at the profitability that might once have been envisaged.

As Mr Bignall says:"I think the advantage of bancassurers has been significantly exaggerated". Halifax up 18%, Page 14

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MANAGEMENT BUY-OUT

Heron Distribution Limited now re-named



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INTERNATIONAL COMPANIES AND FINANCE

Promodès 15% advance confirms retail recovery

The recovery in French retailing was highlighted yesterday when Promodès, one of the country's leading distribntion groups, said net profits rose 15 per cent in the first half

of 1994. Promodès, which has large interests in Spain as well as in France, saw net profits rise to FFr264m (\$47.1m) in the first half of the year from FFr229m during the same period of

The group achieved a 3 per

By Alison Smith in London

Halifax Building Society, the

UK's largest mortgage lender,

yesterday reported an increase

of 18 per cent in pre-tax profits

for the six months to the end

of July, taking the total to

The percentage increase was

less marked than that reported

by some other mortgage lend-

ers, but as has been true across

the sector, it was due primarily

to a fall in provisions for bad and doubtful debts, to £56m

Mr Jon Foulds, chairman,

said that Halifax had produced

strong results against a diffi-

cult background of a very

There was a small increase

in net interest receivable, to

reflected a narrower margin -

By Robert Gibbens In Montreal

Canadian provinces face

further downgrades to their

credit ratings, according to

Dominion Bond Rating Service

(DBRS), one of Canada's two

Accumulated government

deficits are so large that nor-

mal improvements stemming

from economic recovery are

likely to prove ineffective, the rating service says in a report

bond rating agencies.

weak housing market.

£486m (\$314m).

from £156m.

between the two first halves. The French retail sector is emerging from a difficult period in which consumer spending was depressed by the recession.

However, the economic climate is improving, consumer confidence is elowly starting to rise and the pressure on the retailers is easing. Promodès said its first-half

performance would have been better without the devaluation of the Spanish peseta. It estimated that, on a con-

stant exchange rate basis, its sales would have risen by 5.9 cent increase in sales to per cent during the first six FFr44.2bn from FFr42.8hn months of the year.

Halifax climbs 18% halfway

rose 11 per cent in the interim

Groisch, the Dutch hrewer, posted a rise of nearly 20 per cent in first-half net profit and said full-year results would increase at roughly the same

Net profit rose to Fl 17.0m (\$9.7m) from Fl 14.2m in the

Germany in January.

Sales in the Netherlands,

operating and packaging costs.
In the UK, where Groisch owns the Ruddles brewery, a new marketing campaign led to higher sales of Ruddles beer, particularly in the sec-

Grolsch said its personnel costs fell in the first half, reflecting a reorganisation at Ruddles, rationalisation in the Netherlands and the elimination of the group's UK sales

into a UK distribution joint venture with Bass, the largest

flat, then the savings side of the eociety's business could

Administrative expenses rose to £385m from £357m, an increase of 8 per cent, while other income and charges fell back slightly to £176m from

Mr David Gilchrist, corporate development manager, sald that there had perhaps been a slight fall in the sale of endowment mortgages which had affected commission earnings. Much of the increase in expenses came from the rising cost of meeting financial services regulators' requirements,

on all the compliance costs when it sets up a wholly-owned life insurance subsidiary, ending its current arrangement hy which it sells financial services

Canadian provinces face downgrade

Last mouth the Toronto Dominion Bank predicted that

Canadian federal and provin-

cial deficits would reach a

worst ever C\$780bn (US\$570bn)

DBRS said corporate and per-

sonal taxes are so high that it

would be difficult to get more revenue from traditional

sources, both at the federal and

While some provinces have

provincial levels.

sent to provincial officials.

2.29 per cent compared with 2.31 per cent - on a higher policies produced by Standard Mr Gilchrist said that if the

checked rising health costs

British Columbia and Quebec are said by DBRS to be under-

stating their fiscal 1995 deficit

by C\$1hn each. However, Ontario's hudget deficits are

Tha federal government's

Interest bill has doubled since

1985 and the average maturity

of its debt has dropped to 4.3

years. This makes it more vul-

nershle to higher interest

period to FFr814m from

benefited from improved finan-cial controls and a reduction in

• M6. the French television

station, yesterday confirmed that it plans to go public with

a stock market flotation on

The company, now the third

force in French television with

annualised sales of FFr1.5bn,

also intends to launch a

new themed TV channel,

according to Mr Jean Durkeer,

September 28.

The company said that it had

volume of business. mortgage market remained become increasingly important and an area of growth. In the six months to end-

July, Halifax'e retail balances feil slightly by £151m, even when interest antomatically credited to customers accounts is included. However, Mr Gilchrist made it clear the society was determined to maintain Its retail savings

As a result of the slight outflow while tha society was in January, Halifax will take competing aggressively for mortgage husiness, the proportion of funds raised on the wholesale money markets rose regulatory limits.

Grolsch gains 20% to Fl 17m at midway

first half of 1993, with profit share up 18.3 per cent at per share up 18.3 per cent at Fl 1.10. Turnover was 33 per cent lower at Fl 391.8m. Grolsch said the figures were not directly comparable hecause the company sold Wicküler, its German beer group, to Bran und Brunnen of

Operating profit rose by 17.3 per cent to FI 28.8m. while interest charges fell to Fl 0.4m

Grolsch's largest market, fell slightly because of poor spring weather. But it said this was more than offset by lower raw material prices and lower

ond quarter.

This year, Grolsch entered brewer in the UK.

Air Canada 'to double income

Air Canada will double operating income to between C\$140m (US\$102m) and C\$150m this year and report a small final net profit, said Mr Hollis Harris, chairman, writes Robert Glhbens in

Montreal. Continental Airlines of the US, which is 20 per cent-owned by Air Canada, will lose about US\$100m hut return to profitability in 1985, he said.

Italian banks face tight timetable

San Paolo and BNC seem to be moving towards deal, says Andrew Hill

t should have been a simple marriage of convenieuce: undercapitalised bank meets wealthy suitor. they merge and live happily

That was the draft script for a deal signed in March by Italy'e Banca Nazionale delle Communicazioni, a small bank with just over 60 branches, controlled by the Perrovie dello Stato (FS), the state rallbetter deal. way, and Istituto Bancario San Paolo di Torino, the country's biggest bank with nearly 1,000

outlets nationwide. The preliminary accord gave little away, but at the time It was said that the two banks would swap shares, leaving BNC with a 6 per cent or 7 per cent atake in San Paolo. It looked like the end of a long search by BNC for a strategic partner which could end losses, and restructure man-

The companies wanted to formalise their union quickly to take advantage of fiscal incentives for banking takeovers which were introduced in 1990 but are only available up to the end of this year.

Six months later, San Paolo is still the only bank to have declared a formal interest in BNC. But in the meantime, a modest merger has been turned into a highly charged political issue, the catalyst for rumours about phantom counter-bids, tension within the new Italian government, and a

series of attacks on the Italian central bank. Mr Public Flori, Italy's transport minister since May, has deliberately put himself at the

centre of the controversy. It was Mr Fiori who, at the end of June, sought clarifica-tion from the FS about the terms of the merger with San Paolo and then began singlehandedly to campaign for a

Apart from the bank's foundation, which holds about 44 per cent of the shares, and the FS which controls just over 50 per cent about 7 per cent of BNC belongs to 80,000 small shareholders, mainly railway Mr Fiori has argued that the

strategic importance of the bank is such that it should not be abandoned for a handful of San Paolo paper in a deal hastily struck hy an outgoing gov-With ahont L50,000bn

(\$31.2km) of railway investment to be carried out over the next few years, the transport minis ter says the FS needs to be able to count on dedicated financ-

Since August, with most of the rest of the government on holiday, Mr Fiori has increased the intensity of his campaign, iambasting the Bank of Italy which must approve banking mergers - for allegedly trying to force BNC into the arms of San Paclo without considering possible counter-bids.

Banca Nazionale Delle 5,000 -4,000 2,000 1,000

1991 1992 1993

Fellow members of the rightwing National Alliance attacked the Bank of Italy, accusing Mr Antonio Fazio, the governor, of abusing his position, and asking the Rome prosecutor to open a file on the case. However, the promised counter-bids have failed to

assa di Risparmio in Bologna, a small retail bank, did make a tentative and informal cash offer. which was dismissed by the Bank of Italy as inferior to the San Paolo bid.

Indeed, until this week, it emed as though Mr Fiori's intervention had achieved littie except many column inches of publicity for the minister and deep irritation at the cen-

tral bank and the Treasury. In the meantime, the timetable for doing a deal has grown tighter and tighter. Analysts suggest that if a merger cannot he agreed by the end of this month there complete the formalities by the end of the year, and take advantage of the promised tax-

However, in the last few days the fog surrounding the BNC case has begun to lift. On Tuesday evaning, Mr Fiori indicated his confidence that Mr Lamberto Dini, the Treasury minister, would decide the outcome of the

San Paolo has now amended its own bid, sources say. The cash which Mr Fiori wants for BNC is unlikely to be forthcoming, but the Turin-based bank has proposed a more complex share-swap which would etrengthan links between BNC and Crediop, a San Paolo subsidiary specialising in the financing of public investment projects.

Although the new deal is said to be worth more than the original all-paper offer, it may not satisfy Mr Fiori.

Last night, Italian news agencies reported that the transport ministry had received a new alternative

The BNC affair may not yet have reached the end of the

Goodman Fielder bows to rebel investors to head off proxy battle

By Nildd Tait

Goodman Fielder, the troubled Australian food group, yesterday bowed to the demands of dissident shareholders and agreed to appoint three of their nominees to its board, so avoiding a proxy battle next

Goodman said Mr Jon Peterson, a former chairman of Uni-levsr Australasia, Mr Neil Lister, a director of Melbourne-based Agrifoods, and Mr Ken Nellsen, formerly an executive with Mars Australia, had been invited to join the board at its

October 6 meeting, Mr Terry Arcus, a former McKinsey director, and Mr John Landerer, a solicitor, two non-executive directors of Goodman, will stand down at the same

Mr Peterson will become deputy chairman. In addition, the group's current chairman, Mr John Studdy, said the board would search for a new independent chairman. He will retire when a successor has been found.

As a result of the deal, the extraordinary meeting, requisitioned by the unhappy investors, will now he cancelled.

Shareholders will get their chance to approve the new board appointments at the AGM in November.

Yesterday's agreement follows a push for board changes by Mr Doug Shears, a Mel-bourne-hasad businessman whose Agrifoods group has a small shareholding in Goodman, and three large institutional shareholders - the Australian Mutuai Provident, Bankers Trust Australia, and State Superannuation Investment and Management Corporation. They have been distressed by Goodman's static

Wing On to sell life unit to Axa Wing On International

Holdings, the department store operator, is to sell its life insurance operation to Axa of France, AP-DJ reports from Hong Kong.
It said it would sell the

entire share capital in Wing On Life Assurance to the Parislisted insurer for HK\$858m (\$111m). Wing On Life's principal business is the writing of life and other insurance policies in Hong Kong, Malaysia and Singapore. Wing On sald it would cease its life business on completion of the deal. Earlier this week, Axa

acquired Victoire Belgium, the Belgium insurance group, for profits and sagging share price. | FFr1bn (\$178m).

TOTAL reports stable first half 1994 results

The Board of Directors of TOTAL met on September 6 to review the consolidated financial statements for the first six mooths of 1994. Conditions to TOTAL's main markets deteriorated during the period. Nevertheless, compared with the first half of 1993, TOTAL maintained loterim operating income and net income after minority interests. while increasing each flow by 4%.

(in millions of French francs)	13t holf 1994	1st half. 1993	1993 -
Sales	68,713	67,847	135,478
Operating income by business segment	3,523	3,494	7.695*
 Exploration and Production Trading and Middle East 		1,196 434	2,142 745
Relining and Marketing Chemicals	1;184	1,111. 753	3,352* 1,436
Cash Row	6,091	5,856	12,219
Consolidated net income	1,986	1,929	3,195
Net Income after calnarity interests	1,833	1,808	2,965
Earnings per shore (in French Francs)	8.0	8.6	- 13.5

Sustained cost reduction and increased uil and gas output enabled TOTAL to keep global operating income stable despite the evolution in the Group's business environment. While the average French franc/dollar exchange rate was slightly higher during the period (at FF 5.77 instead of FF 5.51 in first-half 1993), average Europeao refioing margins declined by 11% (to \$2.0 a barrel from \$2.3 io first-half 1993) and the average price of 8 rent crude oil lost \$3.2 a barrel or 18%, falling to \$15.0 from \$15.20 in first-half 1993. This first half 1994 averaged two cuntrasting quarters: a sharp second-quarter rise in Brent prices from their first-quarter lows, as well as a second-quarter drop of refining margins.

Consolidated sales rose slightly over the period, to FF 68.7 billion from FF 67.8 billion, as growth in petroleum product sales volume offset the negative impact of lower prices for crude oil, gas and refined products.

Chemicals sales increased to an aggregate FF 10.1 billion from FF 9.4 billion, thanks to the economic recovery to the United States and, to a lesser degree, in Western

Operating income of the business segments amounted to FF 3,523 million to interim 1994 compared with FF 3,494 million to the first half of 1993.

The Exploration and Production segment, which does nut include oil ond gas production in the Middle East. was affected by lower crude oil prices. Their impact on

operating income was offset by a 21% increase in oil and gas output, which rose to 355,000 boold from 294,000 boold. Oil production increased 9% to 139,000 boeld from 127,000 boc/d, while gas output rose 30% to 1,185 mcf/d

The Trading and Middle East segment suffered from depressed freight rates, which impacted on the shipping result. The segment's income was also reduced by the effect of the disposal of its uraniam business, which contributed to interim 1993 results. Middle East oil production amounted to 293,000 b/d, compared with 303,000 b/d in the first half of 1993 (-3%).

The Refining and Marketing segment's income increased somewhat despite the decline in European refining margins. The impact of lower margins was limited by improvements in refracry equipment. Growth was led by higher iocome from specialty petroleum products, the overseas subsidiaries, and U.S. based TOPNA.

The competitive positions strengthened during the recession enabled the chemicals segment to capitalize on the improvement of the European economic environment. especially in car industry and packaging. However, margins per unit suffered from raw material price locreases, particularly those of basic chemical feedstock. The operatiog results rose by 16% to FF 876 million.

Consolidated net income rose to FP 1986 million from FF 1,929 million to first-half 1993. Minocity interests increased to FF 153 million from FF 123 million to first-balf 1993, uo the continued improvement in Refining and Marketing operations in the Uoited States and io South Africa. Consolidated interim 1994 iocome did not include any non-recurring items, which amounted to FF 50 million io the first half of 1993.

Net income after minurity interests came to FF 1,833 compared with FF 1,806 million in the first half of 1993. Earnings per share amounted to FF 8.0 versus FF 8.6 in first-half 1993, based on 230.3 million fully-diluted, weighted average number of shares at June 30, 1994, as opposed to 211.0 million a year earlier.

Cash flow increased by 4% to FF 6,091 million from

Gross investment declined to FF 7,079 million from FF 7,835 million in first-half 1993. Disposals amounted to FF 2,537 million, versus FF 2,169 million in the year-earlier period. Coosolidated shareholders' equity amounted to FF 54.1 billion at June 30, 1994.

Net debt-to-equity decreased to 20% at June 30, 1994, compared with 23% at the end of 1993.



TOTAL, Tour, 24 Cours Miehelet, Cedex 47, 92069 Paris la Défense, France

September 8, 1994



Prime Metals, Inc.

a wholly-owned subsidiary of

Alumax Inc.

has sold its metals distribution business to

Reynolds Metals Company

Dresdner Securitias (USA) Inc. actad as advisor to Alumax Inc. in this transaction and assisted in the nagotiations.

Dresdner Securities (USA) Inc.

A member of the Dresdner Bank Group

INTERNATIONAL COMPANIES AND FINANCE

Riding out a hazardous recovery

Growth in Brazil is shaking up Autolatina, writes Patrick McCurry

attolatina, holding company for the joint operations of Volkswagen and Ford in Brazil, should, on the face of it, be humming along. Last year Brazil became the world's fastest growing big market for cars, due to a com-bination of factors including tax cuts and a return to economic growth.

However, Autolatina and its rivals can see hazards looming. The market's growth, combined with falling tariffs, is forcing domestic manufacturers to compete against a rising tide

Furthermore, if the market continues to expand, other world producers may start up operations in Brazil.

In this changing environ-ment, Autolatina's structure is looking increasingly out of

Wing On to.

life unit to A

The original aim of the ven-ture in 1987 was to establish economies of scale in a stagnating, low-investment indus-try. VW and Ford pooled resources in areas such as administration and finances, and made similar-looking vehicles from the same platforms.

Last week the companies announced an important change in strategy: they will abandon the joint use of pro-duction platforms and switch to the platforms of their parent companies. They have, however, denied a complete

Mr Pierre Alain de Smedt, Autolatina chairman, says: "In 1987 Brazil was a closed economy, but the market has changed, and moving to world platforms is a normal evolu-

Brazil started to open its economy from 1990. Until then, the main manufacturers which, apart from Autolatina, included General Motors and Fiat - had seen sales stagnate at between 800,000 and 900,000 vehicles a year.

The government cut car import duties from 60 per cent in 1991 to about 35 per cent last year, a move which helped push imports - particularly of Japanese and German luxury cars - from 15,000 to around 120,000 this year. Imports are expected to account for 10 per cent of the market this year.



An Autolatina production line in São Paulo: VW and Ford will now use their own platforms

really made the difference were agreements between the government, companies and unions to try to kick-start the market. The measures involved cutting vehicle taxes and profit margins and controlling wage

Taxes have fallen by 22 per cent on average, helping prices to tumble. This has been particularly true for 1,000cc cars, known as "carros populares", where the tax reductions have been most marked. These now account for half of all sales, against 10 per cent in 1990. A 1,000cc VW Gol, for example, costs just over \$7,000 today, compared with \$13,000 three years ago, says Mr de Smedt.

The result was a 40 per cent production increase last year, to nearly L4m vehicles. This increase made Brazil the 10th-biggest producer worldwide, ahead of Italy and Mexico, and the figure is expected to approach 1.6m vehicles this

The growth has helped spur productivity gains, which have averaged 17 per cent a year since 1990. According to a report by consultants Booz-Allen earlier this year, increases in volume have accounted for more than half the productivity gains, with the rest due to restructuring. Quality has also improved, according to Autolatina, which

50 per cent since 1990. However, problems remain. Although the tariff reduc-tions were important, what the gap with foreign competitors has actually widened since 1990, according to Booz-Allen. They note that even with labour costs as low as \$8 an hour, compared with about \$20 in Europe, Brazil's car industry is still 10 per cent less produc-

Mr Pacifico Paoli, chief executive of Fiat in Brazil, says the advantages of cheap labour and raw materials in Brazil are offset by an unsatisfactory transport infrastructure, a poor educational system and economic considerations such as high interest rates.

urthermore, although taxes have been cut, they are still much higher than abroad, says Mr Paoli, who points out that tax accounts for one-third of the price of a standard saloon car and 17 per cent of a small vehicle.

The tax structure, however, could change under a new sector agreement, possible by the end of this year, and each com-pany is pushing for a regime which favours its own production mix.

Fiat's 1,000cc Uno has made it the fastest-growing company. It has increased capacity and doubled sales of the model in the first half of the year, to 91,000, helping it widen its lead over General Motors.

However, a new agreement could change the tax mix to reported car defects down by benefit larger models, so weakening Fiat's position and improving that of companies such as GM. While Ford and

GM were left behind by the "carro popular" growth, GM was the first to respond.

Demand for its 1,000cc Corsa has been high, and the company is trebling production from 3,500 at its March launch to 10,500 by the end of the year, according to vice-preside José Carlos Pinheiro. It also plans to build a plant with capacity of 100,000 vehicles a

Ford, whose market share has fallen by half to about 12 per cent in recent years, intends to produce Fiesta models in Brazil by the second half of next year, while VW is betting on the continued success of its Gol, which accounts for more than half its sales.

However, industry experts believe that if the market remains attractive, international competitors will set up factories in Brazil. Companies such as Toyota and Nissan, for example, are rumoured to be planning investments. The reaction of local manu-

facturers to the threat of imports has been to call for quotas. The government has refused, and Mr Fernando Henrique Cardoso, the favourite to win presidential elections this year, has not supported the

The priority, according to Mr de Smedt, is to continue modernising and improving productivity. "We can't relax. We must make the same level of gains in the next five years to be able to compete internaAll of these securities having been sold, this advertisement appears as a matter of record only.

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Desc, S.A. de C.V.

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Floating rate notes 1997

The notes will bear interes at 4.875% per annum from

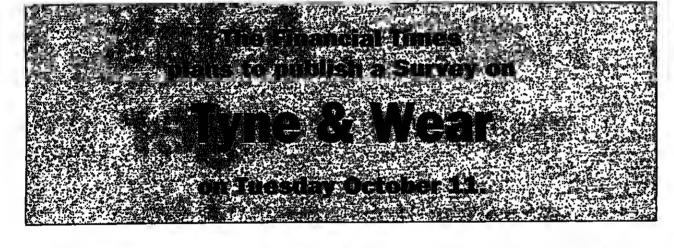
8 September 1994 to 8 December 1994. Interest

payable on 8 December 1994 will amount to US\$12.32 per

US\$1,000, US\$123.23 per US\$10,000 and US\$1,232.29 per US\$ 100,000 note.

Agent: Morgan Guaranty Trust Company

Denmark



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CREAT LAKES FEDERAL SANINGS

Collateralized Floating Rate Notes Series A due December 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three months Interest Period from September 8, 1994 to December 8, 1994 the Notes will carry an Interest Rate of 5.275% per arrum. The interest payable on the relevant payment date, December 8, 1994 will be U.S. \$1,358.68 per U.S. \$100,000 principal amount of Notes.

Bank of Ireland

U.S. \$300,000,000 dated Variable Rate Not

t is hereby given that the Rote of Interest has been fixed at 6% and that terest payable on the relevant Interest Payment Date December 8, 1994 of Coupon No. 21 in respect of US\$100,000 naminol of the Notes will

By: The Chase Manhattan Bank, N.A. London, Agent Bank September 8, 1994



CITIBANCO

KIATNAKIN FINANCE AND SECURITIES PUBLIC COMPANY LIMITED (the "Company") U.S.580,000,000 Convertible Bonds due 2003 (the "Bonds")

Please be informed that the Company has scheduled its Edwordinery General Meeting of the shareholders (the "EGM") for September 30th, 1994 at 12.00 noon and as a result of which, it is required to close its Share Register between 12th September, 1994 and the close of the EGM to allow for the Company to determine the right of the Shareholders to attend the EGM. It is therefore obligated pursuant to Condition 6(A)(I) of the Bonds to Inform Bondholders of the suspension of their Conversion Rights during the same period of time.

September 8, 1994 By: Citibank, N.A. London

CITIBANC

US\$125,000,000 First Chicago Corporation

Floating Rate Subordinated Capital Notes Due December 1996 Notice is hereby given that the Rate of Interest has been fixed at 5.1875% and that the Interest payable on the relevant Interest Payment Date, December 8, 1994 against Coupon No. 32 in respect of US\$100,000 nominal of the Notes will be US\$1,311.28.

September 8, 1994, London

By: Cribank, N.A., (Issuer Services), Agent Bank

CITIBANG

BANQUE NATIONALE DE PARIS Programme for the Issue Yes 1,500,000.000

ring/Fluid Rate Notes dae 1998 Series 4 Tranche 1 Notice is hereby given that the rate of interest for the period from September 8th, 1994 to December 9th, 1994 has been 8th, 1994 to December 9th, 1994 has been fixed at 2,59063 per cent. per annum. The tradicat 2.50063 per cent. per crimini. 1 yen coupon amount due for this period is Yen 6,620 per denomination of Yen 1,000,000 and is payable on the interest payment date December 9th, 1994.

The Fiscal Agent Sanque Nationale de Paris (Luxembourg) S.A.

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FIDELITY WORLD FUND Société d'Investissement à Capital Variable Kansallis House - Place de l'Etoile L-1021 Luxembourg

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Fidelity World Fund, a société d'investissement à capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de l'Etoile, Luxembourg, at 11:00 a.m. on September 27, 1994, specifically, but without limitation, for the following purposes:

Presentation of the Report of the Board of Directors.

Presentation of the Report of the Auditor.

Approval of the balance sheet and income statement for the fiscal year ended May 31st, 1994.

Discharge of the Board of Directors and the Auditor. Election of six (6) Directors, specifically the re-election of Messrs, Edward C. Johnson 3rd, Barry R. J. Bateman, Charles T. M. Collis, Charles T.M. Collis, Sir Charles A. Fraser, Jean

Hamilius and H.F. van den Hoven, being all of the present Directors.

Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.

Declaration of a cash dividend in respect of the fiscal year ended May 31, 1994, and authorisation of the Board of Directors to declare further dividends in respect of fiscal year 1994 if necessary to enable the Fund to qualify for 'distributor' status under United

Kingdom tax law.

Consideration of such other business as may properly come before the meeting.

Approval of items 1 through 8 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with a minimum ournber of shares present or represented in order for a quorum to be present.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by

Dated: August 29, 1994 BY ORDER OF THE BOARD OF DIRECTORS



npany

NOTICE OF REDEMPTION

SRF MORTGAGE NOTES 1 PLC Class A Mortgage Backed Floating Rate Notes Due March 2021

NOTICE IS HEREBY CIVEN to the holders of the Class A Mortgage Backed Floating Rate Notes Due March 2021 (the "Class A Notes") of SRF Mortgage Notes I PLC (the "Issuer") that, pursuant to the Trust Deed dated 20th March, 1989 (the "Trust Deed"), between the Issuer and The Law 20th March, 1969 (the "Trust Deed"), between the Lisner and The Law Debenture Trust Corporation p.i.e., as Trustee, and the Agency Agreement dated 20th March, 1989 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying, Agent") and others, the Issuer has determined that, in accordance with the Redemption provisions set out in the Terms and Conditions of the Class A Notes, Available Funds as defined in the Terms and Conditions in the amount of 23,600,000 will be utilized on 22nd September, 1994 (the "Redemption Date") to redeem a like amount of Class A Notes. The Class A Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrosed interest thereon are as follows:

OUTSTANDING CLASS A NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW Bearer Notes

The Class A Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows: Morgan Guaranty Trust Company
of New York

Morgan Guaranty Trust Company
of New York

60 Victoria Embankment London ECAY 0JP

London ECAY 0.1P

Banque Parihas (Loxembourg) 3.A.

10a Boulevard Royal

L-2093 Luxembourg

In respect of Bearer Class A Notes, the Redemption Price will be paid upon presentation and surrender of such Notes together with all unmatured Coupons appertaining thereto, on or within a period of ten years and five years respectively, after the Redemption Date. Such payment will be made (i) io sterling at the specified office of the Paying Agent in London or (ii) at any specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shell cease to accrue on the Class A Notes which are the subject of this Notice of Redemption.

SRF MORTGAGE NOTES 1 PLC By: Morgan Guaranty Trust Company as Principal Paying Agent Dated: 5th September, 1994



Yukong Limited (incorporated in the Republic of Korea with limited liability)

Notice to the holders of the outstanding U.S. \$20,000,000 3 per cent. Convertible Bonds due 2001

Yukong Limited

(the "Bonds" and the "Company" respectively) NOTICE IS HEREBY GIVEN to the holders of the Bonds that as a result of issuance by the Company of convertible bonds which are convertible into 3,067,484 shares of common stock of the Company, the current conversion price per share of common stock of the Company shall be, pursuant to the provision of the Trust Oeed, adjusted from \(\pm 34,609\) to \(\pm 34,470\) with effect from 30th August, 1994 (the day on which convertible bonds are issued).

8th September, 1994

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tracting techniques of the legendary W.D. Garra can increase your profile and contain you losses. How? That's the secret. Fing 061 474 0080 to book your FREE place.

INTERNATIONAL COMPANIES AND FINANCE

Fall in prices undermines Japanese steel producers

By Michiyo Nakamoto in Tokyo

Japan's five main steelmakers have revised their forecasts for the first half of fiscal 1994.

The new forecasts indicate the steel sector as a whola will report greater losses than in the same period a year ago, and all five will pass their interim dividends for the second consecutive year.

The companies said a moderate npturn in demand and strenuous cost-cutting efforts had enabled them to put in a better performance than expected earlier in the year.

However, the sharp apprecia-tion of the yen and a fall in steel prices continue to undermine their performance, the

American Express has

unveiled the first in a series of

new credit cards it plans to

launch in coming months, sig-

compete with bank card issu-

ket shrink in recent years as

growth in spending on its

charge cards has failed to keep

Its first revolving credit card,

Optima, proved a disaster, forc-

un with bank credit cards.

The company has seen its share of the plastic card mar-

By Richard Waters

in New York

ers in the US.

They warned further that the yen's rise and low capital investment by Japanese com-panies continued to cloud their

Nippon Steel said it expected sales of Y880bn (\$9.9bn), 10 per cent below the result last year. The company forecasts a pretax loss of Y30bn, nearly double the Y16.7bn loss it recorded in the first half of last year, on sales of Y1,060bn, but an improvement on the Y40bn it forecast earlier in the year. No

sales forecast was made then. Kobe Steel expects sales of Y530bn and a pre-tax loss of Y10bn, compared with firsthalf sales of Y545bn and a pretax loss of Y8.1bn last year. It had earlier forecast sales in the first balf of Y520hn to Y530hn

New credit cards from Amexco

ing the company to take a

American Express'a latest

large had debt charge in 1991.

assault on the credit card mar-

ket marks the first time it has

tried to sell credit cards to peo-

ple who do not already hold

It is also a reversal of the

earlier "one-size-fits-all" approach under which the

company relied heavily on its

The company plans to launch a range of credit cards,

each besed on a different com-

bination of annual fee, interest

rate, grace period before charg-

standard green charge card.

one of its charge cards.

NKK expects sales to total Y520bn and its pre-tax loss to be Y40bn, against last year's sales of Y537bm and a loss of Y1.9hm NKK has not previ-ously forecast its first-half

Meanwhile, Kawasaki Steel anticipates sales in the first half of Y450bn and a pre-tax loss of Y19bn. This compares with sales of Y522bn and a pretax loss of Y83bn in the first half of 1993 and an earlier forecast of Y450bn in sales and a

Y20bn pre-tax loss. Sumitomo Metal is forecast-ing sales of Y490bn and a pretax loss of Y24bn compared with sales of Y508bn and a Y9bn loss in the same period last year. This is the first forecast for the period from the

ing interest and benefits.

The card unveiled yesterday,

called the Optima True Grace

Card, offers a 25-day interestfree period, no fees (provided

the card is used at least three

times a year) and a low intro-

ductory interest rate of 7.9 per

the recently launched corpo-

rate purchasing card, indicate

the intentions of Mr Harvey

Golnb, the company's chair-

man, to turn American Express back into a high-

growth company after a lack-lustre period.

The new credit cards, like

Lehman **Brothers** cuts another 300 jobs

Lehman Brothers, which started paring jobs even before it was spun off from American Express earlier this year, is trimming another 300 posi-tions, a Wall Street source said, Reuter reports from New York.

Analysts think it is likely the cuts at Lehman will be followed by redundancies at other large Wall Street firms if business does not pick np

A Lehman official said employment totalled 9,300 at the beginning of 1994, and fell to 8,950 by the end of June. It was at a peak of 9,400 in 1993. The source said the new cuts were "across the board". affecting everyone from managing directors down, and were due to worsening condi-tions in the securities indus-

They affect only US operations and not employment abroad, where market conditions are in "growth stages", the source

Mr Perrin Long, analyst at First of Michigan Corp, noted that New York Stock Exchange member firms reported losses totalling \$404m after tax in the second quarter of 1994, compared with a \$1.5bn profit a year

It was the largest quarterly deficit for the industry since a \$1.7bn loss after tax in the fourth quarter of 1987.

Ethane deal for ICI unit

ICI Anstralia, part of the UK chemicals group, has signed an agreement with Santos, the South Australian oil and gas group, for the supply of Cooper Basin ethane concentrate for its Sydney petrochemical plant writes Nikki Tait in

Sydney. The deal, announced three months ago, is critical to ICI's plans to construct a 1,300km pipeline between Moomba, in Victoria, and Botany Bay, in NSW, and supply the Austra-lian plant locally.

American Barrick weighs options for Lac after takeover

By Robert Gibbens

American Barrick Resources is posted to own 100 per cent of Lac Minerals in a few weeks and will then focus on the future of Lac's Canadian gold mining assets and its Latin American properties.

Barrick yesterday had taken up 84 per cent of Lac shares under its cash and abare offer that expired on Tuesday at midnight

The expiry data bes been extended to September 19 to give remaining Lac sharebolders time to tender. By then, Barrick expects to bave acquired well over 90 per cent and can then proceed to acquire the balance. The offer is either C\$5 cash

and 0.325 shares of Barrick for each Lac share or 0.487 Barrick shares. At Wednesday's price for Barrick shares, the offer was worth about C\$15.56 a Lac share, for a total of C\$2.3bn (US\$1.7bn).

More Lac shareholders have opted for Barrick shares than expected because of a firm gold price and the strength of Barrick shares. Barrick is meeting the cost of the takeover from

Mr Peter Munk, Barrick's chairman, will take over as chairman of Lac until the two companies are merged.

Barrick, already north Amer ica's fourth largest gold pro-ducer on the strength of the Goldstrike mine in Nevada. becomes the world's thirdlargest producer, after the Anglo-American group and Goldfields South Africa.

Mr Robert Smith, Barrick's president, and his mining team wili examine Lac's Canadian proparties immediately. Analysts believe Barrick will probably sell most of them, except a new British Columbia pro-

Mr Vince Borg, a spokesman for Barrick, said: "Nothing has yet been decided. Some smaller and mature Lac properties in Canada may be more valuable to other companies. "Barrick is looking at the

long-term potential of all the Lac properties, and our focus is also on the Latin American

Barrick sees China as an area with "tremendous geological significance", Mr Borg said. Mr Munk is due to visit China later this year with Mr Jean Chretien, the Canadian prime

Taiwan group may take Syncrude stake

Chinese Petroleum, Taiwan's state-owned energy company, may take a 5 per cent interest in Syncrude Canada, the Alberta oil sands producer, for about C\$140m (US\$103m). The seller would be the

Alberta government, which would retain a 6.7 per cent interest. A Syncrude spokesman said

others have shown interest in Syncrude, including the

in Edmonton, Syncrude confirmed that talks were advanced between Chinese Petroleum and the Alberta government, while in Tainei, the

Canadian Trade Office was reported as saying the deal looked "prom25.5

Sec. 143-73 (1977)

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and by fall

Soil prices

2.8 - 31.1

ising". Syncrude is producing about 175,000 barrels daily and wants to raise this to 217,000 barrels a day. It has potential reserves estimated at 300bn barrels of

Companies with a stake in Syncrude include Imperial Oil (Exxon) with 25 per cent, Petro-Canada 12 per cent. Pan-Canadian Petroleum and Alberta Energy 10 per cent each, Gulf Canada 9 per cent, Canadian Occidental 7.23 per cent, Murphy Oil, Mitsubishi, and Amoco Canada with 5 per cent each.

in Czech move Morgan Stanley Trust, the

US-based global custodian, has launched custody service for Czech securities transactions through the Prague branch of Dutch-based ING Bank, a Morgan Stanley official said, Reuter reports.

Morgan Stanley, which started similar services in Poland and Hungary last year, said it decided to launch its Czech operation because of increased client interest and confidence in the Prague Stock Exchange trading system.

US custodian | Freeport-McMoRan arm sells non-mining assets

P.T. Freeport Indonesia, the Indonesian mining unit of Freeport-McMoRan Copper & Gold of the US, has sold a group of its non-mining assets for about \$77m, AP-DJ reports from New Orleans. The deal is one of a series of completed and planned asset sales.

Freeport-McMoRan said the unit sold the assets to its Indonesian joint venture with ALatieF Nusakarya of Jakarta, Indonesia, ALatieF Nusakarya owns two-thirds of the joint venture, while P.T. a unit of ITT of the US.

Freeport-McMoRan said the assets were primarily multifamily residential properties and a hotel complex.

P.T. Freeport will use the proceeds for general corporate purposes, including capital requirements for its mine-mill expansion, which it expects to complete during the second half of 1995.

The 84-room hotel complex will be managed under an agreement with ITT Sheraton.

We are proud to have been the first U.S. Investment Bank to trade on the Shanghai Stock Exchange.



World Wide Fund For Nature

On Monday, September 12 the Financial Times will publish a special survey on the Philippines.

increased political stability under the Ramos government has been rewarded with improved business confidence, greater levels of foreign investment and continued strengthening of the economy. So much so that last year saw the country's fledgling stock market record one of the best performances in Asia.

The FT survey will provide an informed assessment of how this newest tiger earned its stripes.

FT. Survey of the Philippines.

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Takya Turunto

OSAKA

rises 17% in year to beat forecast

By Nikki Tait in Sydney

Woolworths, Australia's largest food retailer, yesterday announced an increase in prof-its which was well above fore-

After tax and abnormal items, profits increased to A\$200.3m (US\$148.3m) in the year to June 27, a rise of 17 per cent on the previous year's A\$171.2m, and comfortably above the A\$188.5m forecast made when the company's shares were floated on the stock market last year.

The group is not connected with the US company or UK stores of the same name, fis sales - up to A\$11.5bn from A\$10.5bn - also beat the forecast of A\$11.3bn, as did

profits before interest and tax of A\$318.9m. Trading profits in the previous year were A\$282.2m, and had been forecast to rise to A\$310.2m. The 1993-94 figures relate to a 52-week trading period, while the previous

year took in 53 weel Woolworths said that same-store sales, adjusting for the extra week, rose by 10.7 per cent, compared with a national retail sales increase of 5.7 per cent and en inflation rate of

1.7 per cent. All divisions saw higher profits, with the contribution from the core supermarkets chain rising by 9.4 per cent, the general merchandise group by 12.2 per cent, and the specialty retail group by 42.9 per cent as the Dick Smith electronics retail business recovered. During the year, eight new supermarkets and several new variety outlets were

in group ma

syncrude sta

sia's

Woolworths said sales since the year-end had been "particularly strong", although the health of Australia's retail market generally remained patchy. Capital expenditure in the current year is likely to edge up to about A\$260m, with an increased share going on the new store programme

Ampolex profits dented by fall in oil prices

Ampolex, the Sydney-based oil and gas group, yesterday revealed after-tax profits of A\$55.3m (\$40.9m) in the year to end-June, down from A\$80.6m the previous year, writes Nikki Tait.

Profits before tax and abnormals were 1 per cent lower at A\$114.7m.

The group said that it had registered record levels of oll and gas production, but that benefits of this were offset by a 22 per cent decline in crude oil prices and a significantly higher tax bill.

At Woodside Petroleum, the Australian oil and gas company primarily involved in development of the North West Shelf gas project, operating profits after tax more than halved to A\$36.4m in the six

months to end-June. The comparable 1992-83 fig-ure of A\$72.5m was boosted by an abnormal gain of A\$20.6m.

INTL COMPANIES AND CAPITAL MARKETS Woolworths Mitsui abandons merger proposal

By William Dawkins In Tokyo

The Mitsui Group, the oldest of Japan's keiretsu, or corporate families, has called off a proposed merger designed to expand its pharmaceuticals interests, an area where it feels underweight.

Mitsui Pharmaceuticals, a unit of the group's main chemi-cals company, Mitsui Toatsu Chemicals, yesterday aban-doned its merger with Toyama Chamical, a medium sized pharmaceutical group, because of liabilities inherited by Toyama from a now defunct affiliate'e failed property invest-ments in the late 1980s.

The three companies cited a court case against Toyama, in which Sanyo General Capital, a financial institution, is seeking Y5bn (\$51m) compensation for loans to Yuho Chemical, the former Toyama affiliate.

The collapse of the merger highlights how far corporate Japan still remains from clear-ing the damage left by the investment excesses of the so-called "bubble era" preced-ing the recession. Toyama has also been a victim of a growing trend among Japaness compa-nies to take court action to set-tle disputes, rather than resolving rows in private.

The merger plan, announced in April 1993, was heralded by

the Mitsui Group as an opportunity to build a pharmaceutical arm to rival those of the Mitsubishi or Sumitomo keiretsu. Until yesterday, Mitsui appeared ready to take on Toy-ama's legal problems, so that it could pursue its pharmaceuti-

cals strategy. Japan's pharmaceuticals industry is ripe for mergers and takeovers because the goveroment is cutting prices on medicines covered by national insurance in a deliberate attempt to put pressure on companies to restructure.
The pharmaceutical compa-

nies announced a delay last October when it emerged that Toyama was facing legal action

went bankrupt four years ago with debts of Y40bn. Like many Japanese industrial companies, Yuho was tempted to diversify from its main busi-ness into property development during the boom in asset prices in the late 1990s.

The merger partners were hoping by the end of this month to agree fresh conditions for the accord, originally planned as a share exchange to be followed by the creation of an equally-owned company controlled by Mitsul Pherma-ceuticals. However, by yesterday they were forced to conclude that a deal was

ConsPress hit by new title launch costs

By Nikki Tait

Mr Kerry Packer's Australian Consolidated Press, the maga-zine publishing group, yester day reported an 8.9 per cent fall in profits after tax and abnormal items in the year to end-June, at A\$55m (US\$41m). The result, which compared with A\$60.4m in the previous 12 months, was achieved on sales 2.5 per cent higher, at A\$415m. Fully diluted earnings

per share fell to 31.7 cents, from 34.7 cents.

was depressed by a A\$9.3m abnormal item, compared with no abnormals in the previous year. This, according to Cons-Prese, related to "losses incurred on the development of new titles". There has been a large number of new launches in the highly competitive Australian "mass women's" market recently.

Even at the operating level, before tax and abnormals, profits were iower at A\$91.3m compared with A\$98.9m last time -

The 1993-94 earnings figure although ConsPress said the previous year included a oneoff gain of A\$4.7m dua to accounting related changes and A\$1.5m from a controlled entity, Offset Alpine, which had since been shed.

It added that existing titles saw revenue grow by about 4 per cent last year, with circulation revenue rising by 3 per cent and advertising revenue by 6 per cent. However, profit from these titles fell by 1.5 per cent, as a result of higher editorial and promotional costs approval.

plus the expenses of establishing its Singapore operation.

The company sounded a more encouraging note about the current year, however, saying that it had budgeted for an increase in earnings before interest tax and abnormals of approximately 10 per cent.

ConsPress added that the merger, already announced, with Nine Network - another Packer company - was due to take effect on November 8. The merger depends on shareholder

The final frontier for securitisation

US hurricane futures, European flood options and even "Acts of God bonds" will ba traded by international investors within the next few years, predicts Mr Richard San-dor, a US financier and a founding father of the financial derivatives industry.

Mr Sandor, who pioneered interest rate and currency futures and options in the 1970s and 1980s, says that an embryonic reinsurance derivatives market is established.

Catastropha reinsurance futures and options contracts were launched in December 1992 by the Chicago Board of Trade, which also lists a nunber of financial and other derivatives contracts. Trade so far has been limited, but the volume of transactions has increased by more than 10 times in the past year or so.

More important, the development of an exchange-traded product appears to be directly influencing developments in reinsurance, where an overthe counter market in catastrophe reinsurance options has

"It is past its infancy and is really starting to crawl," says Mr Sandor, now chief executive and chairman of Centre Financial Products, a New York-based derivatives boutiques firm, which is one of more than a dozen firms trading the contracts in Chicago.

Most reinsurers are still highly sceptical about derivatives products. One chief executive argues that the options currently traded on the exchange are at least one and half times more expensive than equivalent reinsurance contracts. Critice say the liquidity in the derivatives market is likely to remain small and that the indices on which the contracts are based are inadequate

and inferior to the traditional reinsurance products.

However, some reinsurers are more positive. Zurich Insurance, the large Swiss company, owns a stake in Mr Sandor's company, and others, including two UK brokers -Sedgwick and Willis Corroon are also exploring the poten-tial. There is interest, too, at Lloyd's. Mr Richard Keeling, a leading underwriter, said: "It is interesting, we ought to be tak-

ing it seriously. Underpinning the interest is the conviction that the capital base of the orthodox insurance and reinsurance industry is increasingly inadequate to

DERIVATIVES cope with the scale of cata-

strophio risks, a fact graphically demonstrated by disasters in the US.

Hurricane Andrew, which tore through Florida in August 1992, was the costliest US catastrophe with losses of more than \$160n. This year's Northridge earth-

quake, which killed 60 people and damaged 44,000 California homes in January, was the industry's second costliest, with losses amounting to more than \$7bn. The severity of the loss was

more a reflection of economic growth and demographic change over the past two decades than the power of the seismic shock itself. The Northridge earthquake "would have been a non-event 25 years ago," according to Mr Sandor. Mr Andrew Martin, manag-

ing director of Sedgwick Payne Insurance Strategy, says that the capital and surplus of the US property and casualty industry is estimated at \$183bn, "but many trillions of assets are insured and the risks exposed are increasing faster than insurers' capital

and capacity". The Chicago Board of Trade contract is based on an index calculated by the Insurance Services Office (ISO), a US industry body, and on the pre-minms received and claims paid by more than 24 US insurance companies.

Futures contracts are priced according to moves in the ISO loss ratio. The settlement price of each increases by \$250 for each 1 per cent upwards movement in the ratio. For example, while a loss ratio of 20 per cent would give each contract a value of \$5,000, a loss ratio of 120 per cent would make the

contract worth \$30,000.

Although trade in the futures contract itself has failed to take off, investors and buyers have begun to trade options - deals giving buyers the right but not the obligation to buy or sell at a pre-determined price.

Most of the contracts are "call spreads", used to limit and isolate a particular layer of risk, explains Mr Morton Lane, managing partner of Lane Financial, a company which advises brokers trading on the exchange.

Typically, buyers pay for an option to buy a futures contract when the loss ratio exceeds 50 per cent and sell when the ratio exceeds 70 per cent. The arrangements in effect give protection in the same way as an excess of loss reinsmance contract.

Over the past 18 months the CBoT has registered more than 5,000 trades on one particular contract - covering catastrophe losses on the eastern seaboard of the US, where there are large storm exposures. Observers also note a growing trend for reinsurers to use the

Chicago contract loss index as an element of a specialist reinsurance policy, the loss war-

Claims on a loss warranty policy are triggered by two sets of losses: those on the insurance policy of the buyer, and industry-wide claims. Mr Lane says that the

exchange has stimulated changes in the way franchise covers are underwritten, with the trigger relating to industrywide losses becoming more important.

As much as 20 times more business could be traded in "over the counter contracts", Mr Lane estimates, with under writers of these deals frequently hedging their exposures by buying exchange traded contracts.

Mr Sandor compares the development to the way in which the underwriters of OTC interest rate swaps hedged their positions by buying euro-dollar or US government bond futures in Chicago in the 1980s, helping to fuel the growth of that market.

In spite of industry scepticism, enthusiasts stress the attractions of the new products. For example, while the price of a traditional contract generally known only by broker and underwriter, derivative contracts are transparent. And while reinsurance contracts are negotiated once a year, derivative contracts are more flexible and can be purchased or traded at any time.

Mr Martin says the develop ment signals the beginning of the securitisation of the reinsurance industry, bringing it into line with other financial services. "Insurance and reinsurance may be the last frontier, he says.

Richard Lapper

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NOTICE TO THE HOLDERS OF IRI-STET 1991-1994 WARRANTS IRI-STET 1992-1994 WARRANTS (ISIN: IT0000078060)

EXERCISABLE INTO STET SAVINGS SHARES HELD BY IRI

Holders of the above warrants are hereby informed that, in accordance with the warrants regulations, the right to exercise the above warrants to subscribe STET Savings Shares will expire et 10,00 a.m. (Milan time) on 30th September

Holders of the above warrants, in accordance with the warrants reguletions, can request to subscribe - from IRI -STET Savings Shares in the ratio of 10 shares for each warrant held at the price of Lit. 2,000 per share.

STET Savings Shares subscribed through the exercise of the above warrants will accrue dividends from 1st January 1994, the same date as STET Savings Shares traded on the Italian Automated Quotation System at the date of exer-

The warrants, which have not been exercised, will expire at 10:00 e.m. (Milan time) on 30th September 1994.

THE BATAVIA FUND LIMITED (the "Company") To the Holders of Warrant IDRS

Your attention is drawn to your right to subscribe for ordinary alteres of US \$0.01 each of the Company ("Ordinary Shares") on the basis of 200 Ordinary Shares for ant IDR bold. This right may be exercised in the stanner set out below between 8 September to 7 October 1994.

"In order to determine whether or not to exercise your subscription right this year, it may be of sustituous to know that the net asset value per share for the Ordinary Shares on 30 August 1994 was US S16.D6."

Application will be made to the Irish Unit of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited for the Ordinary Shares allotted pursuant to the exercise of the subscription rights to be admitted to the

In order to exercise your subscription right, a request should be made to Morgan Guaranty Trust Company of New York, Brussels office as operator of the Euroclear System ("Euroclear") or to Cantrale de Livraison de Valeurs Mobiliers S.A. (*CEDEL*), as appropriate, by completion of a Depository Warrant Exercise Notice which may be obtained on request from Enroclear or CEDEL, as appropriate, and delivery thereof to Esroclear or CEDEL, as appropriate, on any Business Day within the 1994 Subscription Period, accompanied by effective payment of US \$2,200.00 per Warmat IDR to be exercised.

Your attention is drawn to Condition 2(7) of the Warrans which in certain circumstances, will permit the Company after a subscription period to appoint a truster to exercise such subscription right as have not been exercised, to sell in the market the new orthogy abares acquired and to distribute pro rate the proceeds less certain coars to the persons emittled thereto. Subject to the foregoing however failure to exercise your subscription rights during the 1994 Subscription Period. will not prejudice your substriction rights during the subscription periods in that years 1995 to 1996 inclusive. BY ORDER OF THE BOARD

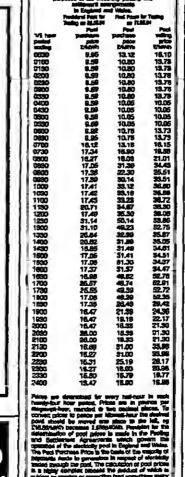
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Citicorp Banking Corporation U.S. \$250,000,000 loofing Rate Subordinated Capital Notes Due July 10, 1997 nationally Guaranteed on a Subordinated Basis by Pursuant to Paragraph (d) of the Terms and Conditions of the Notes notice is hereby given that this period in respect of Coupon No. 41 will run from September 27, 1994 to October 27, 1994. A further notice will be published advising Rote of Interest and Coupon amount payable.

September 8, 1994, Landon By: Ciribank, N.A. (Issuar Services), Agent Bank







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Canadian Imperial Bank of Commerce

July 1994

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Treasury Services plc US\$1,000,000,000

Guaranteed Floating Rate Notes 1999 Notice is hereby given that

the notes will bear interest at 4,9375% per annum from 8 September 1994 to 8 December 1994, Interest payable on 8 December 1994 will amount to US\$12.48 per US\$1.000 note. US\$124.81 per US\$10,000 note and US\$1,248.09 per US\$100,000 note.

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Luxembourg, 11, rue Aldringen R.C. Luxembourg N° B 40 693

Notice of Meeting Notice is hereby given that an Extraordinary General Meeting of Shareholders will be held at the registered office of the Company on 26 September 1994 at 11,00 a.m. with the following agenda:

THE HEDGE FUND (\$) II

To discuss and decide on the continuation of the SICAV or to decide its dissolution according to article 29 (1) of the Luxembourg Law on Undertakings for Collective Investment dated 30 March 1988.

The shareholders are advised that no quorum is required for the item of the agenda and that the decision will be taken at the simple majority of the shares present or represented at the Meeting. Meeting by proxy.

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Ireland to launch gilt contract to lift market liquidity

By Graham Bowley

The Irish Futures and Options Exchange plans to launch a futures contract based on the 10-year Irish government bond by the end of the year as part of a series of changes to improve the liquidity of the Irish bond market.

The contract, which will complement an existing 20-year gilt contract, will be underpinned by a new securities repurchase system which is likely to be in place by the end of the year.

The reforms are designed to attract more foreign investment, which should in turn reduce the cost of borrowing to the Irish exchequer.

The Treasury believes the progress towards peace in ireland will have a positive

"The IRA ceasefire will have a beneficial impact on the economy and on the bond market, supporting domestic confi-

National Treasury Manage ment Agency. Other reforms have included

Irish stock exchange will be created when the Dublin stock exchange is separated from the International Stock Exchange

Ireland is hoping to revive its planned eurobond issue denominated in Irish punts which was cancelled at the end of 1993 because of turbulent bond market conditions. At the time, the issue was believed to carry a 30-year maturity.

Increased tourism lifts Air New Zealand profit

Air New Zealand lifted tax-paid profits by 36.6 per cent to NZ\$190.7m (US\$115.1m) in the year to end-June due to a stronger tourism market, particularly with visitors from

The company said yesterday it was confident of further growth during the coming year with the continuing development of its Asia and Pacific networks, together with opportunities provided by marketing

WORLD BOND PRICES

7.14 11,89 9.93 8.61 12,89 9.30 7.49 7.11 11,98 12,51 10,73 9.19

investors," said Mr John Corrigan, a director of the Irish

the replacement of the Irish bond market's order-driven system with a marketmaking operation which is to start next year. This will involve five to six markstmakers. including two offshore marketmakers, likely to be two of the pan-European investment houses based in London.

In early 1995, an independent of the United Kingdom.

By Terry Hall In Wellington

New Zealand is using Brisbane as a hub for many of its services to Asia. Group operating revenue rose by 11 per cent to NZ\$2.6bn

of which NZ\$215m was increased passenger revenue. Group cash flow from operating revenues rose 64.6 per cent to NZ\$425m. Total assets were up by NZ\$95.4m to NZ\$2.86bn. Directors are recommending a final dividend of 8 cents a share, making a total of 14

cents for the year, up 4 cents

on last year.

By Antonia Sharpe and Martin Brice in London and Frank

German bonds made half-hearted attempt to stabilise yesterday after six days of falls but analysts said sentiment remained bearish. Ylelds on 10-year bunds hovered

GOVERNMENT BONDS

around 7% per cent ahead of today's release of second-quar-ter GDP data.

The data are expected to

quarter-on-quarter expansion of around 1 per cent which would bring the yearly growth rate close to 2 per cent. However, analysts said tha quarter-on-quarter data could

be misleading initially because they are rounded up or down to the nearest half-point. Dealers said a weaker-than-

expected result could lift the market but that any gains would be limited because investors would use the strength to sell out. "The bund market still needs to price in a greater risk pre-mium," said one bond sales-

Remarks by Bundesbank central council member Mr Hans-Juergen Krupp that there was room for a further cut in German interest rates were also viewed with some scepticism because of his dovelsh reputation with respect to

inflation. Latest opinion poll findings which did not give a clear majority to the government

and supply concerns also kept the lid on bund prices. About DM70bn worth of funding still needs to be done before the end

Bunds remain bearish ahead of GDP data release

of the year. The Bundesbank had a better-than-expected reception to its Treuband auction, alloting DM4.19bn at an average weighted price at 99.91 and an average yield of 7.51 per cent. The Bundesbank retained DM2.81bn of the issue for market tending operations, bring-ing the total volume on the issue to DM10bn, above market estimates of DM8bn.

Gilts were little changed in thin trading yesterday as the market awaited the outcome of the monthly meeting between Mr Kenneth Clarke, chancellor, and Mr Eddie George, governor of the Bank of England.

"Eddie George will have a tough case persuading the chancellor that rates should go up now," said Mr Robert omas at Natwest Markets Mr John Shepperd at Yamaichi

said the consensus was that

there would be no change in interest rates. The speech in Leiden by Mr John Major, prime minister, addressing the future of Europe, came too late to affect trading. However, the yield spread between gilts and bunds widened to 137 basis points. against 132 basis points on Fri-

A two-speed Europe would be negative for the gilt market because of the widely-held view that the UK would be relegated to the slow lane along gilt future rose % point to 100% in late trading.

Italian bonds were largely unchanged in spite of government moves to cut spending on pensions. The yield on the 10year benchmark bond was down 3 basis points to 12.26 per cent. The Spanish benchmark 10-year bond yield was unchanged at 11.38 per cent.

US Treasury bonds posted moderate losses yesterday morning as traders adjusted their positions ahead of Friday's producer price data. By midday, the benchmark

30-year government bond was is lower at 99%, with the yield rising to 7.565 per cent. On the short end, the two-year note with italy and Spain. was down \(\frac{1}{2}\) at 100\(\frac{1}{2}\), to yield 6.198 per cent.

The morning's economic news was marginally unfavourable, although traders did not view the data as especially significant. The Commerce Department announced a 0.4 per cent fall in July wholesale sales and a 0.8 per cent rise in wholesale inventories.

In a more troublesome report, the Labor Department lowered its estimate of the decline in second-quarter non-farm productivity to 2.5 per cent, the largest drop since the first three months of 1989. In addition, it said unit labour costs had risen 3.4 per cent last quarter, a red flag for inflationsensitive bonds.

The weak tone was more of a reflection of the markat's shaky technical conditions in the run-up to the release of Fri-

Dublin likely to tap 10-year eurobond sector

By Graham Bowley

Ireland is likely to tap the 10-year area of the dollar and French franc sectors of the eurobond market to meet its 1995 foreign borrowing needs, which are expected to be about ILAbn, the National Treasury Management Agency said yes-

Mr Adrian Kearns, head of foreign borrowing at tha

INTERNATIONAL BONDS

NTMA, said Iraland has already met its I£800m of foreign borrowing needs for this

"It is unlikely that there will be any more issuance this he said, although Ireland could come to the eurobond market in October or November to start next year's funding programme. Cemex, the Mexican cement

company, yesterday increased

Tuesday's \$250m offering of seven year eurobonds by a fur-ther \$50m. The price range on the original tranche was a vield spread of 230 to 240 basis points over underlying US

"Emerging markets have proved to be difficult all year, Mexico in particular. But this is a fairly strong sign that they are back in business," said one syndicate manager This deal could lead to a

number of Mexican entities coming to the [eurobond] market now that the elections are over and things have calmed down over there," said another syndicate manager in London. Syndicate managers said the deal was aggressively priced but that it had been a success.

dicate manager at lead manager Bankers Trust International said. Abbey National launched a FFr2bn four-year bond priced

"Being a seven-year deal, it is

most likely to appeal to US

institutional investors," a syn-

Borrower	Amount m.	Coupon %	Price	Meturity	Fees %	Spread bp	Book rumper
US DOLLARS Depta Finance(a) Cemen(b)	150 50	6.375 (51)#	R88,99 F4(rd)	Oct.1998 Sep.2001	0.15R 0.75R		Dalwa Surope Bankers Trust Internations
YEN Selyu(d)* Uniden Comp.(e)% Selyu(d)*	20bn 10bn 10bn	4.45 0.6258 4.85	100.075R 100.00 100.225R	Dec.1999 Sep.1998 Dec.2001	0.25R 2.50 0.30R	:	Nomura International Celwa Europe DKB International
FRENCH FRANCS Abbey Natl Treesury Services(s)	2bn	7.50	99.46F	Dec.1998	0.25R	+24(95-%-98)	CDC/Martill Lynch France
AUSTRALIAN DOLLARS National Australia Bank	100	9.50	101.55	Oct.1999	2.00	-	Hambros Bank
LUXEMBOURG FRANCS Eurofins	4bn	8.50	101.876	Oet.2004	1.875		SCEEL SGIT

HEW INTERNATIONAL DOWN ICCURS

Final terms and non-caliable unless stated. The yield apread (over relevant government bond) at launch is supplied by the lead transger. attributed, \$Convertible, \$Semi-entural coupon, Rt these re-offer price; fees are shown at the re-offer level, a) Long 1st coupon, b) issue issurabled on Tuesday was increased to \$300m, b) Priced later. c) Over interpolated yield, d) Short 1st coupon. e) Pricing: 14/9/94. Caliable from 30/9/96, subject to 130% hurdle, at par.

to yield 24 basis points above the 9% per cent French government bond due 1998.

The offering received significant support from French retail and institutional investors, joint lead manager Merrill Lynch said, and the spread of 24 basis points was maintained after the bonds broke syndi-

Price Indices

Up to 5 years (24)

5-15 years (21)

6 Up to 5 years (2) 7 Over 5 years (11)

Over 15 ye

UK GHts

00ths of 100%

FT-ACTUARIES FIXED INTEREST INDICES

Sep 7

116,85

138,46 163,81

185.63

Day's change %

+0.07 +0.24 +0.37 -0.14 +0.20

+0.01

138,13 153,26

185.61

cate. The proceeds were swapped back into sterling, Abbey National said. Depfa Finance launched a

8.01 5 yrs 9.22 15 yrs 9.81 20 yrs 8.83 kred.†

3.95 Up to 5 yrs - 3.46 Over 5 yrs 3.49

\$150m offering of two-year bonds, priced to yield 15 basis points over the 6% per cent US Treasury due 1996. The bonds were sold to retail and institutional investors in

1,54 1,80 1,08

Switzerland, Germany and the Benefux countries, Depfa said. The proceeds were swapped into floating rate dollar and

D-Mark funds, Depfa said. "There is still good demand from continental European investors for short-dated dollar paper," said Frank Ruehland, treasurer at Depfa.

8.66 8.63 8.57 8,59

6,32 6,96 7,11 7,32

Sep 7 Sep 6 Yr. 190

Sep 7 Sep 6 Yr. ago Sep 7 Sep 8 Yr. ago Sep 7

8.65 6.72 8.72

8.67 8.75 8.75

6.43 7.12 7.21

8.77 8.97 8.82

Sep 7 Sep 8 Yr. ago 2.70 3.60

Astra raises US profile with **OTC** listing

and to refer

By Hugh Carnegy

Astra, the fast-growing Swedish pharmaceutical group, yesterday moved to enhance its profile in the US by obtaining a listing on the over-thecounter market in New York. The company said American depository receipts matching its A and B shares already quoted in Stockholm and London began trading yesterday. Astra, which last week reported a 23 per cent rise in pre-tax profits in the first half to SKr4.5bn (\$590m), claims a 17 per cent US market share for its most successful product, the anti-ulcer drug Losec.

Losec is marketed in the US through a licence agreement with the US group Merck. Under the terms of a 1982 agreement, the two companies must decide whether to create a new joint venture by early next year.

Sep 6 Yr. ago

6.63 7,37 7,30

2.79 9.01 8.86

					_			_		_			
BENCHMA	RK GO		ENT BO				Italy						
	Cour	Red con Data	Price	Day's change Y	ield ago	Month ago		Lira 200m		100% (BT)	FUTURE	28	
Australia	6.0		96,7500		51 9.37	9.40	(1,11,14)		-		High	Low	Est, w
Belgium	7.2		90,9900		.66 2.42	8.03	Dec	Open 96.22	Sett price 96.37	+0.48	96.70	95.85	42010
Canada *	6.5		84,1000		.99 8.81	9.04	Mar	95.50	95.50	+0.51	95.50	95.50	46
Denmerk Franca 15	7.0 TAN 8.0		85,9500 101,8760		.16 8.79 .39 7.21	8.35 6.81							
	OAT 5.5		83,4800		02 7.84	7.48	III TTALIAN	I GOVT. BO	ONO MITTE	FUTURES	OPTIONS	CHEED Like	200m 10
Germany Bund	6.7	50 05/04	94,7700	-0.110 7	52 7.23	7.02					0, 110110	(CF) CJ (CF)	
tely	8.5		79,6000 103,4420	- 121		10.77	Strike Price		Dec	Mar	,	Dec	PUTS
Japan No	119 4.8 4.1		96,9680		.95 4.18 .57 4.76		9800		2.75	1.31		2.38	
Netherlands	5.7		88,5400		AS 7.27	7.05	9660		248	1,10		2.61	
Spain	8.0		80,7300		.36 11.02	10.39	9700		2.22	0.92		2.85	
OK Glips	6.0 6.7		90-07 87-01		.46 8.33 .68 8.50	8.42	Esc. vol. tota	ni, Califs 809	Puts 1767. J	Provious day's	open int.,	Calls 7546 P	uta (5670)
	9.0		102-15		69 6.52								
JIS Treasury "	7.2		99-23		.29 7.20	7.33		•					
CU (French Go	7.5 Md 8.0		99-06 83.3500		.67 <i>7.4</i> 8 .61 8.40	7.60 7.98	0-1-						
London Closing, "N			Garwar			riest grandard.	Spain			والمتحالية			
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LUNCHUMB				Bills and Bon			Dec	84.80	84.68	+0.10	84.99	83.45	10,03
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E LONG TERM				1 10.70	343	-,002	102	1	1-16	1-61		3-04	
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112	0.61	1.63	1.50	1.54	2.40	3.35	Ecu						
113 114	0,28 0,12	1.06	1.50	2.20	2.89	•		OND FUTU	DES ALLE				
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COMPANY NEWS: UK

NFC committed to value added business

By Andrew Bolger

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NFC insisted yesterday that there was no management interregnum at the UK's largest transport and logistics group, in spite of the sudden resignation last month of its chief executive, Mr Peter Sherlock, after only 18 months in

Mr James Watson, chairman, said the group remained committed to its strategy of focusing on higher value added business, such as logistics and moving services, rather than routine transportation.

He said: "We still have the same opportunities. In fact, I have been a little disappointed about the limited speed of change so far."

A new chief executive would be appointed as soon as possible. Both internal and external candidates would be consid-

William Baird, one of Marks and Spencer's

leading suppliers, yesterday announced plans to

Announcing flat first-half profits of £8.81m

"We want to focus on textiles and we will

(£8.77m), the group said its long-term aim was

to sell its three remaining engineering busi-

make disposals, although we're not in any

The engineering division made a reduced contribution of £1.1m (£2.7m) following the disposal

earlier this year of the UK businesses of Dar-

chem's building services division, a provider of

relocatable accommodation units, and some of

ome shareholders may or 25 per cent face no further

look back with nostalgia to the days when a divi-

tion has been rather better paid as a conventional divi-

hurry," said Mr Donald Barr, chahman.

dend was a just dividend. After

being treated to enhanced scrip

dividends last year many are

now being offered a new vari-

ety - foreign income dividends

(Fids). This time the innova-

Fids were introduced by the

government to help companies

that derive a large proportion

of profits from overseas. They

can suffer an abnormally high

overall tax rate if their main-

tream corporation tax liability

is insufficient to offset the

advance corporation tax paid

on dividends. Under the new

scheme they can reclaim ACT

paid on a Fid if they can show

the dividend was funded out of

Companies were initially cautious about the idea, partly

because it is administratively

complex, but also because the

change benefits some share-

holders more than others. A conventional dividend is paid

with a 20 per cent tax credit

which non-taxpayers, includ-

ing pension funds, can reclaim.

Those paying tax at 20 per cent

foreign profits.

received.

withdraw from the engineering sector and con-centrate on its core clothing and textiles busi-

By Tim Burt

The leading internal candidate is Mr Robbie Burns, in May, Mr Burns resigned after 23 years with NFC, but rescinded his decision when Mr Sherlock left.

Mr Watson has increased his executive role and NFC yesterday spelled out the responsibilities of its management com-mittee, which is being chaired by Mr Trevor Larman, finance rector. Mr Sherlock had 15 operational executives reporting directly to him, and the group was anxious to clarify its lines of control.

Mr Burns will have direct responsibility for all logistics operation in the UK and will chair the two logistics compa-nies in North America, while Mr Graham Roberts has assumed main board responsi-bilities for logistics in mainland Europe.

Mr Larman will also chair the two main moving busi-

Baird to refocus activities

Companies warm to Fids

David Wighton looks at the latest dividend fad

A Fid carries the normal 20

per cent tax credit but tax-exempt shareholders can no

longer obtain a repayment. For

them, a Fid is worth 20 per

cent less than the same sum

To compensate, companies

introducing Fids are paying 25

per cent more than they would

have as a conventional divi-

dend leaving the non-taxpayer

unaffected. For companies the

higher payment is offset by a

lower tax bill. The beneficia-

ries are tax-paying sharehold-ers, whose income rises by 25

Although institutions that do

not benefit are still lukewarm,

Fids are now appearing in a flood. The first came from BAT

Industries which announced in

March that it would pay its

final dividend for last year as a

Fid. However Ladbroke, which announced in March it was looking at Fids, did not take

advantage of the new rules for

its interim dividend last week

and said it had made no deci-

KEY ASPECTS:

nesses, Allied Van Lines in North America and Allied Pickfords Europe. Mr Dennis Ölliver will continue his responsibilities for

Lynx, the parcels business. NFC confirmed that it made pre-tax profits of £76.8m in the 40 weeks to July 9. This compared with £116.8m in the corresponding period, which included an exceptional £50m profit on the disposal of its waste management business. Stripping out exceptionals, pre-tax profits rose by 23 per

Revenue from transport and logistics in the UK was marginally down at £631m, with operating profit slightly ahead at 245.2m.

Earnings before exceptional items were 8.8p (8.2p). A third interim dividend of 1.6p brings payments for the year so far to 4.5p, an increase of 6.6 per

the assets of the Dalfratex and Scotswood busi-

a 24 per cent increase in operating profits to

Sales by the division - comprising contract clothing, home furnishing, fabrics and brand

clothing - rose 15 per cent to £233.3m (£203.6m),

and underpinned a rise from £230.7m to £240.5m

in the group total.

Of the textile businesses, the sharpest

improvement was reported by contract clothing,

which increased profits from £2.63m to £4.38m following a maiden first half contribution from

Richard I Racke, the M&S supplier acquired last

Barnings per share were unchanged at 5.2p, and the interim dividend is maintained at

The first Fid interim came

this week from Coats Viyella

while Burmah Castrol, which

is paying a conventional

Fid. Yesterday, RTZ declared a

Fid interim and said it would

pay as much of its final as a Fid as would allow it to get

Mr Chris Bull, finance direc-

tor, argues that even non-tax-

paying shareholders should benefit from the Fid, "We have

been writing off about £35m a

year of ACT which will now be

available for distribution to

shareholders. In theory this

should enhance the value of

the shares, although the funds

will not be distributed to non-

Fids, however, pose a tick-lish problem for the City: how

are dividend yields and cover

to be calculated? For tax-pay-

ing shareholders, receiving a

Fid gives them a higher

income than from the equiva-

lent conventional dividend

But for tax-exempt sharehold

ers the yield is unchanged. The

City needs to decide which

type of investor should be

regarded as the norm.

tax paying investors."

back all its ACT.

£8.7m (£7m) in the six months to June 30.

By comparison, the textiles division reported

are going. Mr Bryan Townsend, Midiands chairman, said he expected the company to he able to increase dividend payments by a minimum of 5

the five-year duration of the regulatory regime. Some 700 of the job losses will result from the operating division by four

the few companies which does not charge the full allowable amount in the current year. As a result, it says, the initial . reduction in regulated income in 1995/96 will be some £20m, a nominal reduction of 8.1 per

interim, announced that it would pay part of the final as a **UAPT** says yes to Equifax offer

UAPT-Infolink, the British credit reference company, has recommended shareholders to accept the £51m offer from Equifax after the US credit data group learned that its bid of 650p per share would not be referred to the Monopolies and Merger Commission. UAPT's board had

previously recommended a 550p per share offer from Trans Union, Equifax's main competitor in the US, because Trans Union had no UK already owns a credit information business in the UK. However, UAPT's board later rescinded its recommendation, effectively

Fair Trading.

Amec moves ahead to £9.3m

By Andrew Taylor.

Construction Correspondent to shed 1,200 jobs

By Michael Smith

Midlands

Electricity

Midlands Electricity is to shed 1,200 jobs in the next three years as part of a restructuring aimed at cutting costs by more than £30m a year. fifth of the core business's

5,300 workforce are the latest in a series among electricity companies following a recent regulatory review. Mr Nigel Griffiths, Labour

consumer spokesman, demanded a parliamentary inquiry into the regional electricity companies. "The companies are out of control," he said. "Workers and customers are being made to pay for soaring profits." Midlands' announcements

follows similar moves at Norweb, also shedding 1,200 jobs and Manweb, where 500

to 6 per cent in real terms for

replacement of six geographic

next April and changes in the company's headquarters functions. Midlands intends to achieve the cuts through voluntary means. Over the nest three years manpower has fallen by 900.

Unlike Manweb, Midlands is not making any additional financial provision for the restructuring. The regulatory review resulted in a 14 per cent cut in Midlands' allowable charges from next April.

However Midlands is one of

By Andrew Bolger

operations and so did not risk a referral to the MMC. Equifax leaving the outcome of the bidding war to the Office of

Pre-tax profits of Amec, the international engineering and construction group, increased slightly from £9.1m to £9.3m in the first six months of 1994 in spite of a £3.2m loss on a prop-

erty sale.

The shares rose 4p to 121p following an optimistic assessment by Sir Alan Cockshaw, the chairman, of the trading outlook for the second half of this year and in 1995. The housing and property side would have made a small

profit but for the loss, due to an unforseen tax charge, on the sale of the company's Trafalgar Place development.

Amec is maintaining the interim dividend at 1.5p. Sir Alan said that he would consider whether to raise the 1.5p final "in the light of trading

Earnings per share fell from 1.4p to 1.1p requiring an

9800,000 transfer from reserves to meet the cost of the interim

Sir Alan said that trading conditions in general building and civil engineering remained tough, but the group had made good progress in winning higher margin overseas and specialist engineering work.
The group's determination to

improve the quality of its order book by rejecting underperforming contracts was reflected in a 17 per cent decline in turnover from £1.12bn to £926m General building and civil

engineering only broke even and made a loss in the UK, offset by a return to the black by Morse Diesel in the US. Divisional turnover rose from £346.3m to £348.9m Mechanical, electrical and

process engineering profits rose from £10.9m to £15m in spite of a fall in turnover from £741.9m to £525m. Profits continued to flow through from



Alan Cockshaw: shares rose 4p on optimistic assessment

previous North Sea book-up contracts although work in this sector has declined. Sir Alan said the company was winning better quality construction work in the UK,

COMMENT Only Trafalgar House and

North Sea were compensating for a lower level of fabrication

and hook-up work. A higher

proportion of work was being

RICC, among UK contractors can boast the range of skills offered by Amec. Its problem is that margins for overseas work and process engineering are still not great, albeit better than those for general contracting. The group, moreover has managed to trip itself up in recent years. Housing should show some sharp gains as margins rise. Amec remains a quality business but needs to deliver better times rather than just promising them. The long awaited settlement of the Tiffany contract may help Profits of £27m (excluding Tiffany) this year and £40m next put Amec on prospective multi-ples of 23 and 16, which looks a

Wilson (Connolly) warns on costs

prospects for 1995".

Mr Ian Black, managing director of the housebuilder Wilson (Connolly) Holdings, warned yesterday that "inflationary evidence has appeared in the costs of labour and materials, which has not yet been reflected in increased house prices."

Mr Black added that in the last eight months labour and material costs had risen on average by 8 per cent, including a 15 per cent increase in the price of bricks and concrete blocks. Bricklayers, he said, were being paid between 10 and 20 per cent more

Nevertheless, a 9 per cent increase in the number of homes sold by its Wilcon Homes subsidiary helped push up group

pre-tax profits by 62 per cent.
In the six months to June 30, pre-tax profits stood at £13.3m (£8.2). The housing division contributed £13.3m (£7.8m) and

£1.2m (£39,000) came from property. Con- to 1.750, to remain the same. struction incurred a loss of £1.15m, against profits of £221,000.

Turnover advanced 24 per cent to £127m (£102m) with the strongest growth in bous-ing, which had sales of £105m (£88.5m). "Our planned volume growth in a low inflationary economy is showing signs of success," Mr Black said.

followed by "an easing off in the rate of recovery." Mr Black expected that house prices would rise only marginally, keeping pace with inflation. His warnings affected the share price,

However, a strong first quarter had been

which fell 15p to 213p.

expected the trend in sales, up 9 per cent

Mr Black said margins had improved from 10 per cent to 12 per cent, mainly due to a higher proportion of sales of larger units. The average selling price was £58,000 compared with £54,500. He said he

An interim dividend of 1,36p (1,27p) was announced, on earnings of 4.7p (2.9p).
The landbank stood at 14,400 plots at the

end of June. Net cash was £25m. Following the losses in the construction division, the company is withdrawing from external contracting.

Wilson Connolly's concerns about higher labour and material costs made the market nervous. It had assumed cost increases had been held at about 3 or 4 per cent rather than the 8 per cent indicated by Mr Black, With an operating margin target of 14 per cent, the company is beginning to reach its peak. However, it remains a benchmark for quality in the sector and is soundly managed. With profit forecasts of £36m for 1994 and a prospective p/e of more than 16, it's all in the price.

Portals advance 20%

By Paul Taylor

Continued strong papermaking sales helped Portals Group, the security and specialist paper-maker, lift first half pre-tax profits by 20 per cent to £16.2m compared with £13.5m.

The advance, which was ahead of market expectations, reflected a 13 per cent increase in paper sales together with a £568,000 swing from interest payments to receipts.

Earnings per share in the six months to June 30 increased to 17.99p (15.04p) and the interim dividend is raised to 5.75p (5.25p). The shares closed 20p higher at 675p. Underlining the group's con-

fidence in the future of specialist paper Mr John Lloyd, managing director, said a new £35m long fibre paper machine would be built at the JR Crompton facility. The decision comes only six

months after the group announced plans for a £19m paper machine at its Portals Limited banknote paper plant.

"With the two new paper machines costing over £50m and coming on stream during 1996, we will have the substan-

SIX MONTHS

ENDED 30 JUNE 1993

tial new capacity we need to meet demand in our two main businesses," said Mr Lloyd. Operating profits increased

by 15 per cent to £15.5m (£13.5m) on turnover ahead 10 per cent at £100.3m (£91.2m). Security and specialist papermaking led the advance with operating profits up 20 per cent

at £11.9m (£9.86m) on sales of £58.2m (£51.6m). Demand remained strong and all the made paying off." mills operated at close to capacity. Banknote paper sales were 18 per cent ahead of last year, which had a quiet start.

The protection and control division, as expected, reported a more modest 1.4 per cent increase in operating profits to 23.67m (£3.62m) on sales up 6.3 per cent to £42.1m. Margins slipped to 8.7 per cent (9.1 per cent) partly reflecting the cost of investments in new products **DIVIDENDS ANNOUNCED** including an integrated healthcare software package.

Pre-tax profits were also boosted by a £329,000 (£221,000) exceptional profit on the sale

of surplus property.

The group had net cash of £24.5m at the end of June, up £8.5m from year-end, despite capital expenditure of £4.1m.

YEAR ENDED

31 DECEMBER 1993

Strong paper sales help | UK performance helps Brammer climb to £6.5m

By Peter Pearse

Pre-tax profits at Brammer, the industrial services group, climbed 55 per cent from £4.23m to £6.54m in the six months to June 30.

tough grind," said Mr Robert Ffoulkes-Jones, chief executive, "and our market shrank" many, Spain and the Benefux by 25 per cent. Now we are seeing the investment we've

The UK performance of both divisions - distribution and rentals - was singled out, though progress had also been made in France. Group turnover grew to

£74.1m, against £71.2m which included £5.05m from discontinued activities. Earnings per share topped 9p for the first time since the first half of 1990, advancing 41 per cent to 9.7p

(8.9p), However the interim dividend is held at 4.5p. The shares closed up 5p at 365p. The group was ungeared at

the period end and had enjoyed good cashflow. Mr Ffoulkes-Jones said there was "not a lot "We've had three years of available in our specific area" on the acquisitions front, but Brammer was looking in Gercountries. In the distribution division.

operating profits grew 27 per cent to £5.25m on turnover up 11 per cent at £60.2m. Within that profits at BSL, the power transmission distribution business, rose 28 per cent. Sales at reorganised Roulement Service increased 18 per cent in the French market, which grew by only 5 per cent.

On the rental side profits more than doubled to £1.75m (£837,000).

sion on the final.

- · Increase in overall profits after £3.2 million loss on property sale.
- · Improved results from housing and international. Reduced turnover due to greater
- selectivity. · Encouraging growth in order book.

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PROFIT BEFORE TAXATION. PROFIT AFTER TAXATION EARNINGS PER ORDENARY SHARE UNDILUTED DILLTED DIVIDENDS PER ORDINARY SHARE

ENDED 30 JUNE 1994

The interim dividend of 1.5p per share will be paid on 3 January 1995 to ordinary shareholders on the register on 3 November 1994.

AMEC p.l.c., Sandiway House, Hartford, Northwich, Cheshire CW8 2YA. Telephone: (01606) 883885.

Total for year Total last year 5 4.05 3 4.2 8.9 7.5 4.4 4.9 7.25 8.706 6.5 14.33 16 0.45 20.5 1.75 0.5 3 Bluebled Toys. Nurdin & Peacoc Ocean Group Dividends shown pence per share net except where otherwise stated. †On increased capital. \$USM stock. & Adjusted for sub-division. #Foreign income dividend. &Gross. \$Third interim making 4.5p to date. \$Irish currency.

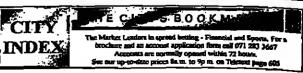
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Former unit holders of Sun Life Managed Worldwide Growth will receive for each unit held on the 30th August 1994 0-745065 of one unit of Sun Life Discretionary Portfolio Trust. It is also confirmed that there will be no income distribution made by jed Worldwide Growth for its final accounting period ending

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Simon reduces loss to £12.4m

Simon Engineering yesterday reported a sharply reduced first-half loss of £12.4m and a much-improved debt position, hut as expected is paying no interim dividend.

The pre-tax loss compares with a deficit of £52.6m in the first half of 1993 and £160.3m for the full year. The interim loss per share was reduced from 51.8p to 12p.

Mr Michael Davies, chairman, said the result reflected the progress made towards restoring Simon as a "sound and profitable" engineering

The group is being restructured to concentrate on three core businesses: the access division, the storage division and Simon-Carves, the process engineering contractor.

Mr Davies said the new man agement team, headed by chief executive Mr Maurice Dixson.

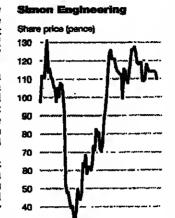
have reiterated the message today that we are sorting out the company in 1994 and will deliver the reaults in 1995," said Mr Dixson.

Proceeds from May'a £52.5m rights issue, along with receipts from husiness and property divestments, had cut borrowings from £117.8m at the end of 1993 to £72.1m on June 30, reducing gearing from 264 per cent to 85 per cent. Asset disposals since last

September had raised £36m and more property disposals were expected to be completed in the second half, further reducing borrowings.

Stringent financial controls were imposed last year but it was taking longer than expected to reduce working cepital especially at Simon Access, where some US business taken on at low margins was being

The group's first-half turn-over dropped from £190.8m to



£154m and the trading loss of 28.4m was down sharply from the previous £23.4m loss. Continuing businesses accounted for only £655,000 of the loss, apart from £3.75m of excep-

1993

The largest division, Simon Access, had a trading loss of £3.66m (£1.59m profit), as turnover slipped to £71.6m (£79.2m). There were trading losses in the UK but the recent reorganisation was expected to result in a much reduced cost base. Simon-Carves lifted turnover

from £21.6m to £23.3m and cut its trading loss from £546,000 to £193,000. Simon Storage, in contrast, raised trading profits from £4.35m to £4.58m on turn over of £22.8m (£20.6m). Mr Davies said the operating

profits achieved in the past three months provided a clear indication that the trading performance had turned the corner. All the husinesses ware reporting increased inquiries and order books were looking

Mr Dixson said there was no reason to change the viaw expressed at the time of the rights issue that dividends

Ethical adviser

By Caroline Southey

Shop sales help

Frost rise 34%

Sales from hranded corner shops were behind a 46 per cent rise in interim pre-tax profits at Frost Group, the UK's largest independent petrol retailer.

In the six months to June 30, pre-tax profits reached £4.88m (£3.34m) on turnover np 32 per cent to £108.2m (£81.8m). Earnings per share amounted to 5.2p (4.2p) and a dividend of 2.7p (2.2p) will be

paid. Mr James Frost, chairman, said the profits rise reflected "not only the acquisition programme of the last two to three years, but also the advances made in our forecourt shops.

Since the beginning of 1994 Frost, which trades as Save Service Stations, has purchased or exchanged contracts on 37 new sites, bringing the total to 213 petroi filling stations or sites. Further acquisitions were likely, he said.

The chairman said sales in

the forecourt shops had been buoyant through the recession and overall margins had been helped by the Smilies branded corner shops introduced 18 months ago. "We are replacing the traditional corner shop with a service to the local community," Mr John Mnrga-

troyd, finance director, said. Mr Frost sald motor fuel sales looked "more positive than at any time over the past three years". The company's intention was to enter the motor fuel wholesaling market next year and it would target a small number of the 12,000 privately owned petrol filling stations in the UK to supply under the Save brand. Mr Frost said sales on a site

by site basis had been maintained despite a 2.3 per cent reduction in national motor fuel sales following the introduction of additives to improve engine efficiency. Last October Frost made 5-for-1 rights Issue to raise

£21.3m. At the interim stage it

NEW LOOK AT JUTE

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look at natural fibre jute, the age old packaging

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had net cash of £3m.

from head to foot.

backs Body Shop

By Neil Buckley

Eiris, the ethical investment research service which advises ethical investors, has given its backing to Body Shop, the uatural cosmetics retailer that has come under attack over its green" credentials.

In a report to clients, Eiris investigated claims made in an article by a US investigative journalist in the magazine Business Ethics last week, and concluded that Body Shop had been "unfairly criticised" "A number of claims made in

headlines have turned out to be untrue, or at least misleading," the report said. Body Shop's animal testing policy, while differing from that of some "green" groups, was defensible, and that its charitabia giving compared more favourably with other companies than the article suggested. it added that the company's environmental reporting record was "among the best in the UK" although it could be

problems with franchisees but was "much the same as other people". Eiris admitted the scale of Body Shop's Trade Not Aid policy was small but it was at least a practical step.

"Some criticisms remain, and there are ways in which Body Shop can improve (as can every company)," the report "The practical question for both ethical investors and consumers remains: 'If not Body Shop, then who?"

Home Counties leaps to £976,000

Pre-tax profits at Home Counties Nawspaper Holdings leapt from £155,000 to £976,000 in the six months to June 30. Turnover was up slightly from £12.1m to £13.2m.

The result was helped by an exceptional gain from the sale of the share in Mid Anglia Radio to GWR for £316,000. The interim dividend is 2.5p (2p). Earnings per share were 6.54p (1.24p). improved. Body Shop had had

Overseas sales help Bluebird to £7.2m

By David Blackwell

Bluebird Toys, maker of Polly Pocket and Mighty Max, more than trebled interim pre-tax profits from £1.99m to £7.19m and declared its first interim dividend.

Turnover for the six months to June 30 increased from £23.7m to £40.7m. Overseas sales soared 84 per cent to £28.7m and UK sales improved by 49 per cent to £12m.

Mr Torquil Norman, chairman, said he was particularly pleased with the UK performance, as the overall market had been

"We have also improved our seasonality, which is magic in the toy industry," he said. Tha volume of business in the first half rose by five percentage points to 40 per cent, helped by the increasing pepularity of the group's ranges overseas. It now sells to 70 countries.

The Polly Pocket range of miniature dolls, now in its fifth year, accounted for 57 per cent of turnover. The company, which graduated to the main market in July, expects to establish the range as a permanent hrand. It is already listed as a core brand by Mattel, the US toy group, which is Bluebird's higgest

overseas distributor. Sales of Mighty Max, a pocket toy based on a mild horror theme, were 40 per cent ahead in the UK in its second

This week the BBC started to show a TV series, already broadcast in the US, based on the character.

Mr Norman said the company was bringing out a new range next year, and had several other ranges in the long-term pipeline, "We have a strong balance sheet, a lot of cash in the bank and an enhanced development programme.

Net interest payable fell from £591,000 to £198,000, and the company expects to be interest positive in the second

Fully diluted earnings per share were 10.5p (3.7p), and aninterim dividend of 2p will

Lazard launches brewery trust

By David Blackwell

Beer drinkers will have the chance to recoup some of their costs when Lazard Investors launch a new investment trust later this month.

Lazard Brewers Investment Trust will deal principally in quoted UK regional brewers, such as Greene King and Young, and pub companies and other companies in the drinks trade.

Mr Martin Hawks, analyst to the issua, said yesterday that the ontlook for regional brewers was better than it had been for some time.

The sector was characterised by sound balance sheets, strong cashflows and good dividend cover.

The trust will be managed by Mr Billy Whitbread, for the past five years investment manager of Whitbread

The trust, to be launched on September 29 with subscriptions closing in the third week of October, will have an initial yield of 3 per

Nurdin puts expansion plans on back burner By Peggy Hollinger

Nurdin & Peacock, the cash and carry group, has put plans to expand its warehouse clubs on hold until the government's approach to out of town developments becomes clearer.

The group made the appropriement as it revealed a sharp drop in interim pre-tax profits from £7.07m to £2.08m. after exceptional charges of £5.2m. Sales were 1 per cent ahead at £685m for the 26 weeks to July 1.

The company, which has three Cargo Clubs either trad-ing or under construction, said it was unlikely to open any clubs next year because the government had decided to review planning permission granted to its Stockport site, near Manchester. N&P did not expect a resolution of the review before the spring.

The warehouse club concept is a key part of N&P'a plan to reduce its dependence on the hard-pressed independent retailing sector. However, the strategy could be hit by the government's campaign to curb the explosion of out of town developments

Mr Nigel Hall, Nurdin'a finance director, said it was "very difficult to say whether we will win the review." It was not clear why the DoE had chosen Stockport over N&P's planned club in Bristol, he



Nurdin's warehouse concept has run into further controversy with the group last week referring Sony to the European Union over restricted supplies of electrical goods to its clubs. Apart from such issues, Mr

Hall said the warehouse clubs were proving successful. The first club at Croydon had 40,000 members and both visits and spending per customer had increased. Development of the Cargo Clubs cost N&P £2.2m in exceptional charges in the first half, and was expected to incur further charges of £4m.

The conversion of N&P's traditional cash and carry husinesses into Trade and Business Warehouses serving ceterers. businesses and independent and had resulted in almost £3m

in exceptional charges. Market ing the concept would cost a further £1.5m in the second

The M6 cash and carry chain acquired in May contributed £26m in sales, but incurred losses. N&P expected it to make further losses this year, including costs of £1m, hut contribute substantially to

profits next year.

The dividend is increased to 2.16p (2.06p). Earnings fell by

54 per cent to 1.77p. Analysts said the underlying results, which showed a marginal increase in profits, were good considering the continuing pressures on N&P's main customers. Full-year forecasts were for a sharp drop in profits from £32m to hetween £22m and £25m, after exceptionals.

and declin

at Internal

Dwing rosti

NEWS DIGEST

Norbain buys and raising £10m

Norbain, the USM-quoted security group, yesterday announced the £7.5m purchas of three closed circuit television companies and also a placing and open offer to raise £10.5m.

The cost of the three companies - CCTV Warehouse. CCTV Centre and CCTV Rental Services - will be met by £6.5m in cash, while a further £1m will be raised by the issue of 243,902 convertible redeemable

ordinary shares.
The balance of cash raised will be used to reduce group bank borrowings.

new ordinary 5p shares at 410p per share on an 8 for 23 basis. Following the offer and plac-ing, Norbain's share premium account will be reduced by £11m, which will be transferred to a special capital reserve against which goodwill arising on the acquisition may be writ-

Pacific Assets

Pacific Assets Trust reported net asset value per share of 534.1p at July 31. The figure compared with 370.6p a year earlier, but 599.4p at January 31 1994. The company said that during August much of tha decline had been recouped.

Available revenue in the six months under review rose to £435,000 (£338,000). Earnings per share came to 2.13p (1.72p).

Wills Group

Wills Group, the engineering products group, reported pre-tax profits almost doubled from £1.58m to £2.98m for the year to July 2.

The advance was achieved

on turnover up from £19.3m to £31.5m - including £6.33m from acquisitions - and after an

increase in the interest charge from £45,000 to £166,000. The directors said that as a result of acquisitions made in the last few months of tha financial year, the accounts did

not reflect the current size of the group, and turnover for the

current year was expected to be considerably higher. Earnings came out at 1.85p (1.6p), or 1.79p (1.28p) fully diluted. A proposed final dividend of 0.385p (0.3p) raises the total for the year to 0.5p (0.4p).

Alexander Russell Alexander Russell, the Glas-

gow-based quarrying, concrete and coal company, reported pre-tax profits more than doubled from £632,000 to £1.45m for the six months to June 30. The advance was achieved on turnover up from £17.6m to

£18.9m and after a reduced interest charge of £458,000 (£761,000). Earnings came out at 3.34p (0.75p) and the interim dividend is doubled to 1p.

Cakebread Robey

Cakehread Robey & Co, the Enfield-based building materials concern, lifted pre-tax profits from £106,000 to £425,000 in the first half of 1994, helped by a £213,000 surplus this time on

the sale of properties.

Following the closure of some branches, turnover edged up to £8.96m (£8.87m). Interest was unchanged at £49,000 and earnings per share cama to 7.1p (1.8p).

Sumit

Sumit achieved a 36 per cent increase in undiluted net asset value from 169p to 229p in the six months to June 30. Over the same period, the diluted figure grew by 29 per cent from 154p to 199p. Tha company said the

increase was attributable largely to the successful flota-tions of Partco and Nottingham Group.

Net earnings for the first half were similar at £241,000 (£243,000) and earnings per share were unchanged at 3.4p. The interim dividend has been maintained at 0.7p.

Northern Industrial Northern Industrial Improvement Trust total income fell from £498.896 to £469.345 in the year to March 31.

Profit after all charges, including tax, came to £312,387 (£336,338). A final dividend of 16p is proposed, making an unchanged total of 25p on earnings of 25.6p (27.55p).

Berry Starquest

Berry Starquest, the smaller companies investment trust, reported net asset value per share of 226.4p at 31 July, a fall of 5.5 per cent from 239.6p six months earlier. Net revenue for the half year to end-July was up from £48,000 to £59,000. Earnings per share were 1.1p

Adscene

A strong performance from its publishing side helped Adscene Group to lift pre-tax profits by cent from £2 £3.05m for the year ended May 31. Turnover of the group, which also has printing interests, rose 13 per cent to £15.8m. Earnings per share rose 37 per cent from 10.1p to 13.8p and the recommended final dividend of 4p (3.2p) makes a total pay-out of 6.5p (5p).

Grafton

Pre-tax profits more than doubled from IE1.22m to IE2.84m (£2.81m) at Grafton Group, the Dublin-based building materials company, for the six months to June 30. Turnover was up 26 per cent from IE48.6m to IE61.3m. The interim dividend rises to

3.5p (3p). Earnings per share were lifted to 13.7p (5.6p).

Wellington

Wellington Holdings, the polymer products manufacturer floated last March, saw pre-tax profits for the six months to 30 June rise 47 per cent, from £1.26m to £1.84m. Turnover

rose 9.5 per cent to £23.3m. The maiden interim dividend is 1.2p. Earnings per share were 6.18p (3.87p), although Mr Brian Kent, chairman, said the figure was not directly comparable with last year's owing to the increase in the number of shares since flotation. On a pro forma basis earnings per share rose 27 per cent to 6.34p.









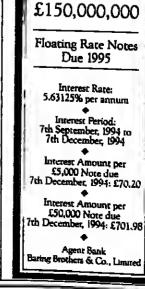
Petroleum Argus



Floating Rate Notes Due 2001 in accordance with the

provisions of the Notes. notice is hereby given that for the interest period from 6th September, 1994 to 6th March, 1995 the Notes will carry interest at the rate of 7.75 per cent per annum. interast payabla on 6th March, 1995 will amount to £3,843.15 on aach

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Hillsdown beats tough markets with £65.6m

By David Blackwell

Hillsdown Holdings lifted pre-tax profits by 5 per cent from £62.3m to £65.6m in the first half of 1994, on the back of an increase in sales from continuing operations from £1.94bn to £2.03bn.

Sir John Nott, chairman, said the group's restructuring had lopped film off turnover in the past two years, with very little effect on profits.

We have had a reasonable six months given the very difficult food markets in the UK and in Canada."

Mr David Newton, chief executive, said the results marked the third balf-year in a row whan the results were broadly in line with expecta-

"We are not there yet - but we are moving in the right

Total turnover, including £9.7m from discontinued operations, was 2.04bn, down from £2.27bn previously, when diacontinued operationa accounted for £331.8m. diacontinued

Operating margins improved from 3.6 per cent to 4 per cent. Sir John said the group was assuming no food price inflation, and was looking for further efficiency to improve mar-

gins further. It was also seeking bolt-on acquisitions similar to this week's purchase of Materne-Fruibourg, the French jam maker, from Groupe Danone. The operation would give Hillsdown a manufacturing and e distribution base in France.

Operating profits in four of the six divisions improved. The exceptions were the ambient and chilled foods division, where profits fell by £1m to £15.8m on sales of £307.6m, and the meet and produce division, where profits declined from £8.3m to £7.8m on sales of £363.4m.

The former was hit by e baked bean price war, which more than offset good results from the continental chilled salad operation.

Mr Newton said profits from canning had fallen by 60 per cent, mainly because of e 50

per cent rise in the price of navy beans. The group, which supplies supermarkets with own-label baked beans, is phas-

ing out one of its canneries.

The beverages and biscuits division raised profits by £2m to £5.9m on sales of £127.5m, helped by increased spending on brands. Sales of Typhoo tea were 26 per cent ahead.

Profits in the ponltry divi-sion improved from £123m to 214.2m on sales of £245m, as its switch from frozen to fresh chicken production started to In the non-food division,

where profits rose to £14.7m (£13.7m) on sales of £209.3m, Fairview New Homes improved margins.
Net interest payable fell from £18.5m to £15.6m.Earnings per

share rose to 5.5p (5.1p). The interim dividend is unchanged at 2.3p. Sir John said he looped for "e more positive dividend policy et the end of the year," given the group's performance and cash genera-

Tough conditions in US behind decline at Ocean

Ocean Group, the freight, environmental and marine services group, blamed among other problems the difficult trading conditions in North America for its international airfreight and logistics business for a decline in first half

The group, which also announced yesterday that Mr John Allan, a marketing executive and main board director of RET, will become chief executive at the end of this month, said pre-tax profits slipped by 5.3 per cent to £19.7m in the six months to June 30 from £20.8m in the 1993 first half. Turnover grew by 12 per cent to £497m

Earnings dipped from 9.4p to 9p per share, but the interim dividend is held at

The shares closed 2p lower at 2680 after Mr Peter Marshall chairman, warned that the outlook for the year "remains operating in highly competi-

Operating profits fell to £22.3m (£24.4m) with MSAS, the airfreight business, reporting a decline in profits to £1.9m (£2.6m) despite higher aircraft

Mr Marshall said that airlines had taken the opportu-nity of a firmer market to increase rates, which tended to lepress the profitability of MSAS in the short term.

The main shortfall was in North America, where customs brokerage performed poorly, but the group said the benefits of a restructuring in April, aimed at saving £2m in a full year, were already becoming apparent.

McGregor Cory, the group's contract distribution business, also saw profits fall although the UK operations performed

Cory Environmental lifted its profits contribution by 11 per cent to £2.1m, although the market for industrial waste treatment remained unfavourable. NET, the US environmen- share expected this year, the tal testing business, incurred a shares continue to be sup-£1.2m loss against a £200,000 profit in the 1993 first half.

were underpinned by an improved performance in the Marine operations, which reported profits of £16.2m (£14.6m).

OIL, the group's offshore supply business, had a good first half and pursued opportunities in the important south-east Asia region, however, Mr Marshall noted that political and economic uncer-tainties remained in West

O COMMENT

Mr Allan faces a tough challenge re-shaping Ocean'a ragbag of businesses and boosting the group's financial performance, which continues to dis-appoint: In the meantime the company is leaning heavily on its marine businesses, which include the uncertain West African offshore snpply operations. With uninspiring pre-tax profits of about £43.5m and earnings of about 20p a ported by their 5% per cent

Brent International at £4m following restructure

By Peter Pearse

Mr Keith Hutchings, promoted in March to chief executive of Brent International, said that over the past year the speciality chemicals group's businesses had been simplified and refocused into two divisions: printing services and industrial. Management of most operating units had now been replaced or restructured.

At the same time the group announced e 32 per cent rise in profits before tax and exceptionals to £4.01m for the first half of 1994. After exceptionals of £2.1m, last time'a headline pre-tax figure was £931,000. The interim dividend remains L60. Mr Hutchings said the execu-

tives on the board were now settled following the resigna-tion of Mr Steve Cuthbert as chief executive in August 1993. Mr Cuthbert's resignation was followed by e decline in

profits to £7.14m (£11.5m) for 1993, accompanied by e cut in the total dividend to 4p (7.4p). Since then Mr Hutchings moved up from finance director, Mr Bill Jessup returned to fill that post, and Mr Sandy Dobbie was hired as chief oper-

ating officer this June.
In the half, performance of the printing services - to be overseen by Mr Hutchings for the next 18 months - had been "encouraging" with sales up 16 per cent to £11.2m. UK sales of inks and coatings advanced 25 Profits on the industrial side

per cent. Divisional operating profits grew to £3.18m (£1.94m). fell to £1.96m, against £2.44m (which included a £1.15m contribution from discontinued operations) on turnover down at £30.8m (£35.5m). Mr Dobbie has specific responsibility for the division for the next 18 months. Europe, with the been doubled to 0.5p on earn-exception of the UK, where ings per share of 1.27p (1.14p).

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sales rose 18 per cent, and North America saw "less than adequate" demand. Mr Hutchings said the group was pursuing "niche areas where we

have an edge". Earnings per share were 3p (losses 0.5p).

Severfield-Reeve lifts market share

Severfield-Reeve, a specialist in structural steelwork and ancillary products, continued to increase market share in the six months to June 30 and this was reflected in a 45 per cent risa in pre-tax profits from

£210,000 to £305,000. Sales from continuing operations rose 40 per cent to £13m. but operating margins fell to 3.9 per cent (4.5 per cent). The interim dividend has been doubled to 0.5p on earn-

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Restructuring plans boost BBA shares

Shares in BBA Group rose 9p to 198p yesterday as the engineering and motor components group signalled the first signs of e change in fortunes fol-lowing the start of its wide-ranging restructuring programme earlier this

Although pre-tax profits fell 54 per cent to £23.1m (£50.3m) in the six months to June 30, the group said operating margins had improved and costcutting should restore earnings growth.

Turnover declined to £711.1m. against £742m including £24.8m from discontinued activities, but operating profits before exceptional items rose from £45.3m to £47.4m.

Mr Roberto Quarta, chief executive, highlighted an improvement in operat-

ing margins from 6.1 per cent to 6.7 per cent following £18m of restructuring costs to the first half.
"This is a healthy turnsround, and I

believe we can get to double digit margins by 1996," ha said. Margins were boosted by an film saving on payroll costs as the group out the workforce by 7 per cent to

Of the group's core businesses, which have been merged for reporting pur-poses into two divisions, the industrial sector, comprising textiles, US materials and specialist electrical equipment, reported increase profits of £30m

(£25.1m) as demand rose in continental Europe and North America.

Transportatioo saw profits fall from £27.5m to £17.4m as a weak performance by Page Avjet, its aircraft maintenance arm, undermined improve-

ments hy the automotive busines The figures were also dented by £13.1m of exceptional litigation costs relating to the settlement of a US lawsuit and £2m of losses on disposals. Earnings per share fell from 6.8p to 1.5p, although they showed an

increase to 5.2p (3.9p) before exceptional items.

The interim dividend, as forecast in March, is cut from 2.25p to 1.5p. The group said the full year figure would be not less than 4.50.

• COMMENT

BBA has bitten the builet and these figures were ahead of the gloomy forecasts. But with disposals, acquisitions, exceptionals and £72.1m of provisions all affecting this year's profits, inves-tors will have to make a leap of faith in Mr Quarta if they expect short-term gains from the company. Although full year profits should exceed £75m, the hefty forward multiple of 19.4 makes the shares too pricey given the on-going restructuring and rednndancy costs. They look a more attractive prospect if profits reach £100m next year, on a multiple of 15.8. Even then, however, they would be no better value than blue chip rivals such as GKN and

Medicine man seeks cure for indigestion

BBA is undergoing a thorough restructuring. Tim Burt reports on progress to date

r Roberto Quarta, the Italian-American charged with resuscitating BBA Group, regards the nickname "Bob-the-Knife" as too harsh for the surgery he is performing on the engineering and motor components group. He admits, however, that the

group has been forced to swal-low some horrid medicine in the eight months since his arrival from BTR, where he was chief executive of the automotive, electronics and build-

ing divisions. More than 2,000 jobs have gone, 1,400 of them through redundancy, and some £18m has been spent on restructur-

"It'a tough - this is not aspirin I'm dishing out. It's pretty strong stuff and in the right dosage it should bring the patient back to life."

Although BBA discounts talk of e near-death experience, Mr Vanni Treves, the chairman. acknowledges that its condition deteriorated rapidly last

He blames the problems. which forced the group to make restructuring provisi of £72.1m in March, on the illness last year of Mr John White, Quarta's predecessor, and the management time taken up in fighting a \$300m (£194m) lawsuit over the 1989 purchase of IGH, its US industrial subsidiary. "It was e severe distraction

and we lost our way when John White had to stand down," he says. City analysts, and to an extant Mr Quarta as well. believe the problems went

They've spent more than £350m on acquisitions in the past five years, they're just too diverse," says one analyst. Another describes Mr White as an acquisition junkie who always expected the next deal to deliver the volume sales to revive the group.

While more circumspect, Mr Quarta admits he was surprised to see BBA making ecquisitions "before its new



Roberto Quarta: margins more important than sales volume

subsidiaries were bedded in". He has put a brake on that activity and instead identified some 12 subsidiaries for disposal with combined sales of more than £200m. Of those. Holden Hydroman, Perplas and Railko have already been sold.

"But we don't have to sell cheap. The balance sheet is in fairly good shape and we will wait for the right opportunities," ha adds.

The dilemma for BBA, however, is whether continued redundancies, disposals and cost-cutting will leave the group with enough muscle to establish e profitable foothold in its remaining core areas. Analysts are sceptical. They warn that some businesses, such as Signature Flight Sup-

port, the aviation refuelling and servicing group, may not achieve Mr Quarta's target of 10 per cent margins by 1996. They are not large enough in eviation to cut costs and

then drive up prices to get those margins, and it's going to be very difficult in the automotive businesses too," according to one analyst.

Mr Quarta, however, is unde-terred. He believes an ongoing management review, which has seen the departure of three divisional executives, has belped spread a new ideology.
Discounting the reduced

sales of £711m, down from happen here. £742m, announced in yesterday's interim figures, he says: "I am changing the culture.

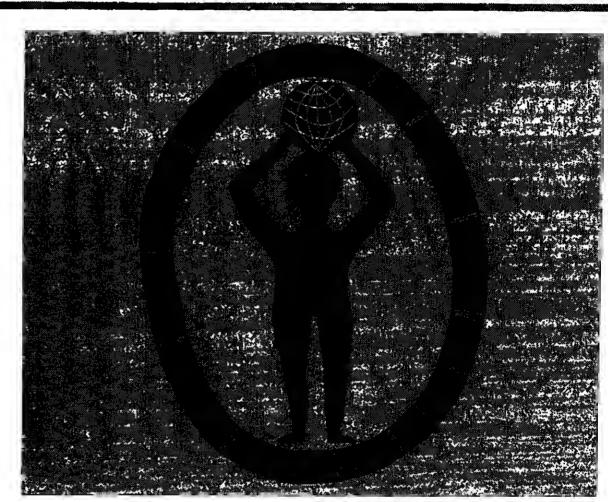
ment, I don't believe volume sales are the answer to our prayers. Msrgins are more

In pursuit of those margins, the group expects to use another £18m of its provisions to make further joh cuts in the second half and refocus the group's three core sectors: automotive, industrial and transportation. That strategy appears to have paid off in the six months to June 30 with e 15 per cent increase in pre-tax profits before exceptional items

to £38.2m. The challenge for Mr Quarta is to ensure that BBA emerges fit enough to compete in world

markets Acknowledging the size of the problem, he admits: "Cut-ting is a difficult skill. If you're not careful you can end up with a husiness which can't survive. I don't think that will

We can do great things, hut first we must get our house in



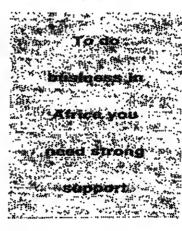
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Wellcome anti-migraine drug threat for Glaxo

By Tim Burt

Wellcome, the UK drugs group, has thrown down a challenge to its rival, Glaxo, by reporting successful tests of a new antimigraine drug.

The development of the drug - codenamed 311C-90 - could threaten the market dominance of Imigran, one of Glaxo's fastest-growing prod-ucts which had sales of £116m last year.

Although Wellcome is not expected to seek regulatory approval for the new drug for at least two years, it said it had the potential for "previously unachieved levels of safety and

City analysts said the market for such a drug was worth at least \$1bn (£600m) and could, in time, exceed the market for anti-asthma treatments

about this development. It is the first real threat to Imigran," said one analyst.

The challenge coincided with news that Glaxo had alerted US physicians about possible drug-associated deaths linked to imitrex, the name used for Imigran in North America. The manufacturer, however,

said the vast majority of Imi-trex users had not suffered any side effects, and the few fatalities were linked to exceptional circumstances where the patients been given the drug despite a history of cardiovascular diseases and other risk factors such as asthma.

Wellcome, meanwhile, said its drug had shown no effects on blood pressure or cardiovas-cular problems during clinical

Those trials showed that 62 per cent of patients suffering

"Glaxo should be concerned migraine found a "striking reduction" in pain within two

> Glaxo said its tablet form of Imigran showed a 50 per cent success rate over the same period, although it showed an 80 per cent improvement in Its injected form.

Analysts predict sales of Imigran could exceed \$480m in ths 12 months to July this year, even though the drug has not yet become widely available in tablet form.

Wellcome shares, which fell 14p to 685p earlier this amid concern at possible eedative side-effects of the drug, closed up 1p at 686p.

Glaxo, which is expected to

report full year profits of between £1.88bn and £1.9bn today, recovered to 622p, after closing down 13%p at 620p on Tuesday on news of Well-

British Biotech breakthrough

British Biotechnology, one the UK's largest biotechnology companies, yesterday claimed it had made a breakthrough in developing a drug to treat acute pancreatitis, a condition with no effective cure at present, writes Tim Burt.

Shares in the group rose 6p to 461p after the group said preliminary tests showed the drug exiparant - was an effective remedy and, if fully developed, could exploit a market worth an estimated £300m a year.

"Given the high margins in this business, it could turn the company round," said Mr James

clinical trials of the drug and expects to seek regulatory approval to market it before the end of 1996. It is also on course in developing a new anti-cancer drug - Batimastat - which could be the world's first oral treatment for cancer suf-

• Shares in Anagen climbed 17p to 65p yesterday after the biotechnology company received clearance from the US Pood and Drug administration to market Auraflex, its antomated immunoassav system

The system can be used to measure the presence of infectious diseases, monitor cancers and

Aiming to succeed where others have failed .

MSU's CD systems look set to find their way into homes world-wide, reports Alan Cane



The name on the box in the living room may be that of a well known Asian or Amer-ican manufacican manurac-turer, but the

Growth from electronics technology insids will be British. That, at least, is the hope of MSU, a young UK company with big ambittions in the electronic home entertainment business.

Ostensibly, the odds are against it. Japanese companies dominate the world-wide consumer electronics industry while US companies are making the running in multimedia
- essentially interactive television - which many believe is the future of home entertain-

Yet MSU, working from a set of overcrowded offices in Milton Keynes, has secured contracts for its technology from hig companies in Hong Kong. Singapore, Taiwan and the US. Confidentiality clauses prevent identification of the companies concerned, but if MSU has read the market right, it can expect to see its systems gracing homes from Taipei to Tallahas-

It claims that its current contracts will ensure that more than 1m products with MSU technology will be sold next year. "Current negotiations with other companies means it could be more than 3m units."

MSU's expertise lies in com-pact disc technology. Not just audio CD, now found in almost half all US households, but a range of variations which together define a new generation of CD players. These include video CD, Photo CD, CD plus G (video CD with text and graphics superimposed) and karaoks CD. (Do not be sniffy about karaoke CD; the market in east Asia for these systems is huge and lucrative.)

MSU designs the semiconductor chips, the electronic circuitry, and the software which make it possible to integrate all these functions into a single unit which plugs into the domestic television and hi-fi. So the customer will be able hear music, watch a movie,

sing along with his or her favourite band and look at holiday snaps using the same machine. The system has also of course, great potential for business presentations.
Critically important from a marketing point of view, MSU's new generation CD

machines will not cost appre-

ciably more than existing

audio CD machines. Mr Keith Hall, MSU manag-ing director, believes other phisticated CD systems have failed because they have been seen as an expensive addition to existing equipment rather than a replacement or upgrade for it: "Millions of people will be planning to buy audio CD machines over the next few years, and many will be happy



Wyn Holloway (left) and Keith Hall: MSU is already developing the next generation of chips to stay ahead of the competition

to pay an extra £100 for video CD."

The secret of MSU's technology is a set of specially designed semiconductor chips and software which take the heavily compressed information on the disc and expand it so it can be displayed on a television screen. MSU's chips are both powerful and cheaper than competitive products. It accepts it is not immune to competition, but it is already developing the next generation

of chips to stay ahead.

MSU will not manufacture CD players, however. It lacks the capital. Its strategy is to provide a turnkey service for other equipment manufacturers, providing them with a cus-tom-built electronics package ready to be incorporated in a casing of their own design. MSU calls this "generic CD". MSU's chairman, Mr Wyn Holloway, is an old hand at

undercutting the competition in electronics. Formerly a car-penter, he was named Welsh Businessman of the Year after setting up a company making low-cost computer game joys-Computer games culture per-

meates MSU. Mr Hall played a big part in launching the Commodore Pet and Apple Macin-tosh pcs in the UK. Head of research and development is Mr Martin Brennan, formerly

chief engineer with Sir Clive Sinclair's Sinclair Research. The software engineers are for the most pert ex-games authors: "They are good at getting a lot of performance out of little computing power. We give them a lot of computing power," Mr Hall says.
Mr Holloway and Mr Hall

formed the company in 1992. Its first contract, with the Chinese government, was for a low-cost games machine for the Chinese market. The following year the company con-tracted with TXC of Talwan for the design of a games machine. These deals provided the seed capital, some \$2m, for current developments. Last year turnover was £2m and losses amounted to £500,000. This year, turnover will amount to £12m and the company should

make £3m in pre-tax profits. With development contracts in place, including a project for a large US computer maker. MSU does not see an immedi ate need for new investment, but Mr Hall admits that an extra £250,000 to £500,000 would enable the company to pursue extra lines of development.

Going public is an option and MSU is in discussions with stockbrokers. Mr Holloway says no decision has been taken; but if the company decided to go for a quote, the formalities could be undertaken quickly. Previous articles in this series

appeared on August 10, 16, 19, 25 and September 7.

The group is about to embark on Phase Three Hilton and Ewart combine to build 5-star Belfast hotel

The Northern Ireland economy was given a boost yesterday with the announcement of a £17m development to build a Hilton Hotel in Belfast,

Hilton International, the hotel subsidiary of Ladbroke Group, has set up a joint venture with Ewart, the Belfastbased property developer, to

Mr Paul McWilliams, chair-

man of Ewart, said they had been in talks on the development for many months. "Everybody is now taking credit for having great fore-

He added that following the IRA ceasefire the move was a tremendous boost for the prov-ince. "Ws are all hopeful that it will be the start of a better future."

The huilding of the hotel, the first five star in Northern Ireland, is being financed by £6m of share capital, 60 per cent from Hilton, with the balance provided by grants and short term loans.

The hotel is being built in the Ewart's Laganbank deval-opment, valued at about £100m. The company is about to announce a 450,000 sq ft office block which will almost complete the development. Ewart's shares rose ip to

Nordic decline hits Intrum in the Nordic markets had

not reached the bottom yet."

£1.4m (£100,000), while the UK,

John Allan, BET's group marketing director who has been on the board for the past

seven years, has been appointed chief executive of

Ocean Group, the freight, environmental and marine services

Allan, 46, whose appointment is seen as a significant coup for Ocean, will take up his new post at the end of this month. His move ends the

uncertainty over the succession to Nicholas Barber, chief

executive for eight years, who

left Ocean last month.
Allan has wide experience of the international industrial

service sector through more

than 20 years at four blue-chip

companies. He also has specific knowledge of some of Ocean's

business areas; for example, et BET he has been chairman of

Biffa, the wast management

company and has built a solid

track record for achieving prof-

been unforesee

Continuing problems in Sweden and Finland led to a 6.6 per cent fall in profits at Intrum Justitia, Europe's largest debt collection group, in the six months to June 30.

Pre-tax profits alipped to £7.01m (£7.47m) while operating profits fell more sharply to £6.78m, including £300,000 from acquisitions, against £7.83m. Turnover edged shead from £41.7m to £42.3m, including £1.39m from acquisitions. Mr Bo Goranson, the chair-man and holder of 30.9 per cent

France and the Nstherlands chipped in £3m (£2.6m). In the UK, the group launched the £500,000 businessto-business collection operaof the shares, admitted that the tion and already has some depth and length of the decline 1,600 clients, 4% times more

than the group had expected at this stage He cautioned that the cost

Over the past three years the saving programme would not group has spent 13m sponsor benefit the group immediately, ing a boat in the Whithread but in years to come. "We have Round The World Race, from which it accrued mentions in 10,000 articles, in 80 hours of radio and 90 of TV. It reckons Operating profits from the region fell from £6.2m to £3.9m. By contrast, German-speakequivalent advertising would ing countries (particularly have cost £28m. Switzerland) saw growth to

It hopes to capitalise, especially in the UK and southern Rurope, on expected EU legislation on late payment, which it expects will be compulsory in about two years' time. Earnings declined to 4.5p

Allan leaves BET for Ocean

(5.2p) per share, but the gross dividend is held at 1.1p.

PEOPLE

ing director in 1983.

of the the CBI market strategy

group and a council member of

the Institute of Directors. He is

also e former chairman of the Marketing Society of Great

agreed and his next move has

succession of changes at Lazard Investors – which the

parent company now hopes will cease. "It is e world in which there are a lot of

changes," says David Verey, chairman of Lazard Brothers.

"We've had more changes than frankly I would wish. But

Tom Cross Brown, a director in corporate finance, takes over from West. Says Verey:

"We are an international house and Tom is very much

an internationalist"; he was head of Lazard Brothers' Hong

Kong office from 1982 to 1986.

■ David Godfrey, whose job as head of merchant banking at Swiss Bank Corporation

disappeared during a sweeping

that's life."

not been made public. This move follows a

Birmingham Midshires rises by 38% to £24.7m

By Altson Smith

Interim pre-tax profits at Birmingham Midshires Building Society advanced by 38 per cent to £24.7m following a rise in income and a fall in provisions for bad and doubtful

While highlighting Birmingham Midshires' aim of acquiring other societies, Mr Mike Jackson, chief executive, admitted there was little immediate pressure on smaller societies to agree to be taken

. Net interest income rose to

£46m (£43.7m), despite a narrowing of interest margins, as ths society competed aggressively for retail savings. Sales of life insurance poli-

cies largely accounted for the rise in non-interest income to

£12.3m (£10.3m). Mr Jackson said expenses had risen to £30m (£27.2m), and that the cost/income ratio had also increased, to 51.5 per cent compared with 50.4 per cent in the first half of last year. The society was invest-ing in a new headquarters and in npgrading its computer

FINANCIAL TIMES

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Name Mr/Mrs/Miss/Ms/Other Job Title Dept

Bill Andrews (above), 59, who has worked for Powsil Duffryn for 30 years, is to step down as chief executive next July. As already announced, he will be succeeded by Barry Hartiss, 44, who joined in 1985.

■ Graham Kettle, 46, manag-ing director of Initial Cleaning Services, has been appointed sector director for BET's business services (cleaning and guarding) Europe. Peter Wakeham, 47, currently managing director of BET management services and Initial healthcare services, has been appointed sector director for business ser-vices (healthcare, facilities management, personnel and catering) Europe. Both join the group management committee.

Ken Walder, former group general counsel at BP, has been appointed secretary and legal director to BRITISH AIR-WAYS.

Finance moves

itable growth across e range of

Ian Laurie, Ocean's finance

director, acknowledged yesterday that although Ocean has successfully cnt costs, its

finencial performance remained inadequate: "Ws

need to focus on growth," he

After graduating in mathe-

businesses and markets.

■ Kleinwort Benson Securities is clearly expecting the UK market to build up a head of steam and has moved quickly to boister its highly-rated team of marketmakers, recruiting three of the UK market's

senior traders. Peter Angeli, 28, joins KB from Lehman Brothers and previously spent four years marketmaking at Smith New Court. Hugh McAlister, 33, and Wayne Grossman, 37, move over from UBS where both were directors. McAlister spent five years at

UBS, and was previously at the then County NatWest. Grossman has been one of UBS's front-line marketmakers since 1986. KB had a couple of bad experiences in the market in

the late 1980s but has gradually rebuilt its confidence in the securities trading arena. It scored a big hit recently in recruiting top economist Ian Harwood from SG Warburg and says it is still keen to expand on all fronts in the securities business.

■ The turnover of top staff at Lazard Investors continued yesterday with the announcement of the departure of Jimmy West as chief executive. West was said to have felt

that he had completed his task; it is understood that the

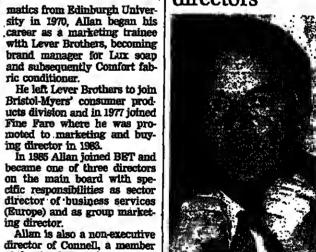
separation was mutually

reorganisation of SBC's corporate finance business, has not taken long to find another Having left SBC at the end of June, he resurfaced at JP Morgan this week as a managing director with responsibility for global credit business in the Middle East,

> Godfrey, 43, will focus on risk management and marketing of JP Morgan's emerging market credit business. He will report to European head of global credit

India, Africa, eastern Europe and the former Soviet

Non-executive directors



Lord Owen, co-chairman of the Steering Committee of the International Conference on the former Yugoslavia, has accepted his first non-executive directorship by joining the board of Coats Viyella. Britain's largest clothing and

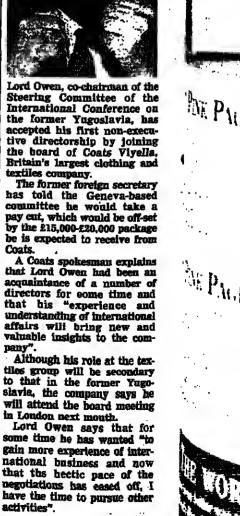
has told the Geneva-based committee he would take a pay cut, which would be off-set by the £15,000-£20,000 package be is expected to receive from Coats.

A Coats spokesman explains that Lord Owen had been an acquaintance of a number of directors for some time and that his "experience and understanding of international affairs will bring new and valuable insights to the com-

tiles group will be secondary to that in the former Yugo-slavia, the company says he will attend the board meeting in London next month. Lord Owen says that for some time he has wanted "to gain more experience of inter-

that the bectic pace of the negotiations has eased off, I have the time to pursue other ■ Clinton Silver, recently retired deputy chairman of Marks & Spencer, at HILLSDOWN HOLDINGS.

■ Ronnie Gorlin has resigned from EUROTHERM. and Robert McNeil, founder of Apolio Window Blinds, at HEWDEN STUART. Doug Rogers, chairman of Newman Tonks, as chairman at BARCOM in succession to John Pinckard.





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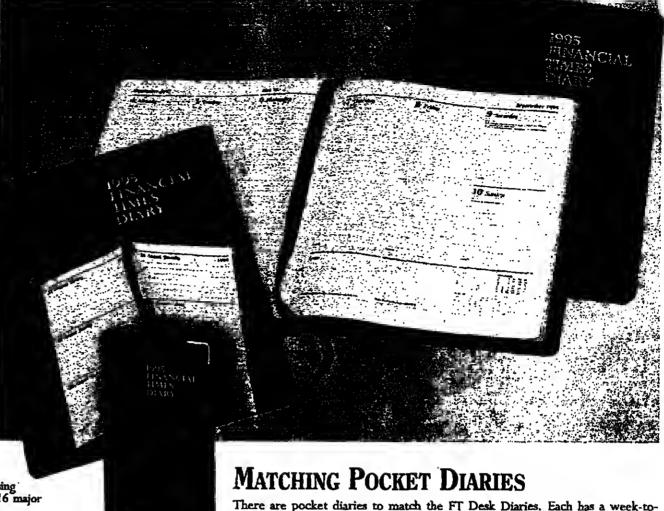
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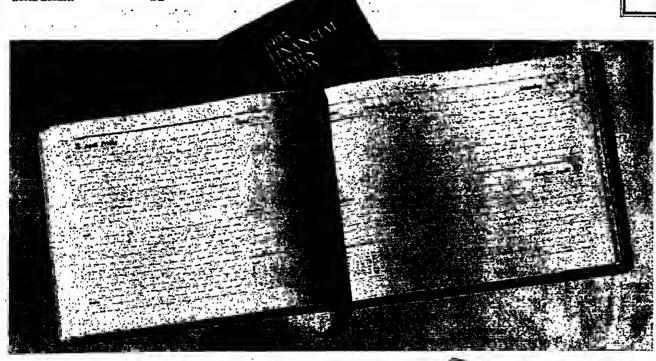
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exporters

file 301

petition

By James Harding in

US banana exporters have

filed for action under trade

mechanism 301, the first peti-

tion of the Clinton administra-

tion. The application calls on the US trade representative, Mickey Kantor, to target EU trade agreements which limit

Latin America's hanana

exports and discriminate

Chiquita Brands Interna-

tional and Hawaii Banana

Industry Association, US banana marketing companies,

allege that RU banana import

quotas are damaging their

interests. The petition, filed

last week, requests a formal investigation by the USTR into

the Common EU banana pol-

icy, signed July 1993, and the

Framework Agreement on Bananas, signed between the EU and Costa Rica, Colombia.

Nicaragus and Venezuela, to

against IIS multinationals.

British Gas rethinks \$6bn investment in Kazakhstan

By John Lloyd In Moscow and Steve Levine in Tashkent

British Gas is reconsidering its planned multi-billion dollar investment in Kazakhstan, according to industry officials. They say the Alma Ata government is now openly negotiating with Russia for joint development of its biggest natural gas and oil fields.

British Gas says that negotiations are continuing. But executives have not hidden their frustration at the slow pace of talks over the past two years, since Kazakhstan awarded British Gas and Agip of Italy exclusive rights to negotiate a development agreement for the giant Karachaganak natural gas field.

The main etumbling block is Russia's refusal to grant clear piveline rights to transport Karachaganak gas through its territory. The western partners had planued to ship an eventual 20bn cubic metres a year to western markets in a \$6bn

Earlier this year, however, BG withdrew much of its heavy equipment from the site. and industry sources now say the company may withdraw

altogether from the deal. The latest development follows increasingly heavy economic intervention across Central Asia and the Caucases by different official Russian ministrles and agencies. On one hand, Moscow officials have demanded percentage interests in large western energy deals in the southern ex-Soviet republics of Azerbaijan and Kazakhstan, arguing that Russian engineers discovered and developed the fields before the 1991 Soviet collapse.

At the same time, government agencies in Moscow have presented obstacles to the deals by nearly clamping shut Russia's pipeline system.

A week ago, Mr Viktor Chernomyrdin, the Russian prime minister, held talks with Kazakhstan prime minister Sergei Tereshchenko on joint development of both Karachaganak and Kazakhstan'e huge Tengiz oilfield, according to Itar-Tass. Tengiz, to which the US oil company Chevron holds exclusive development rights, is the

former Soviet Union's largest

single oil project. But it too has become bogged down by talks about transit rights across Rus-

Some analysts believe that Russia is employing economic pressure to boost the advantages of its own energy industries and to maintain political sovereignty over former Soviet republics. "This is Russia asserting its dominance," said a seuior western diplomat in Tashkent, the Uzbekistan capi-tal, "Russia knows that if the oil starts flowing, Kazakhstan will get its political indepen-

The Uralsk talks marked the first time that a senior Russian official openly discussed the desire for a piece of the two

Kazakhstan, which holds 50 per cent joint venture partner-ships in Tengiz and Karachaganak, has very little cash, and has been seeking capital.

The Kazakh government says it is now ready to auction off part of its interest in Tengiz, which has been included on a list of industrial enterprises to be sold in the near

be implemented on October 1. Mr Mickey Kantor said yes-terday that he expected the issue to come up in bilateral talks with the UK in the Quadrilateral meeting in Los Angeles this weekend. Chiquita claims the Common

EU import hanana policy dis-criminates against US companies in favour of European multinationals in its alloca-tion of licensing eligibility for banana imports. It also argues that the Framework Agreement gives the Latin American signatories preferential access to the European market.

Chiquita's petition comes under 301 procedure which allows US companies to request a USTR investigation if they believe trade practices are harming US interests. If the USTR proceeds and fails to find a solution, the US would consider sanctions. A USTR official said: "We have consistently opposed the way the EU is handling its hanana

US banana | EU harvest in line with reform.

By Alison Maitland

This year's grain harvest in the European Union is expected to be around 160m tonnes, well below the trend prior to the 1992 reforms of the Common Agricultural Policy. according to Mr René Steichen the EU agriculture commis-

The anticipated fall in the harvest, from ahout 164m tonnes last year and 185m tonnes in 1991, was a sign the MacSharry reforms were working well. Mr Steichen said. "In the cereals sector, there's

really no need to go further. he said.

Mr Stelchen was responding to sceptics who argue that EU grain production will remain too high to satisfy the requirements of the Uruguay Round world trade agreement. This

called for a 21 per cent cut in the volume of subsidised EU exports by the end of the

The sceptics argue that the European Commission bas underestimated the likely rise in cereal yields and overestimated EU cereal consumption. They say farmers are likely to face further cuts in price sup-port over and above the 30 per cent reduction of the Mac-

Mr Steichen said changes still needed to be made to unreformed sectors such as wine, fruit and vegetables and sugar. "If all that we conclude in the next months and years works well, I don't think there's a need to change the CAP," he said. But he added that further "minor adjustments" were pos-

Pointing to the success of the

reforms to date, he said the EU cereal mountain had been reduced from 33m tonnes a year ago to 16m tonnes and intervention stocks of beef had fallen from 1.1m tonnes to less

than 250,000 tonnes. EU consumption of homegrown cereals for animal feed, which the Commission hoped would have risen by 11m tonnes a year by 1986 as a result of falling prices, already increased by 5m tonnes last

He added that further reforms had been agreed this year to contain beef production. The Commission fears production could increase again for cyclical reasons by tha end of the decade. The number of special support pay-ments available to farmers for male beef animals had been cut from 11.5m to 10.25m

Mr Steichen said that, contrary to expectations, EU farmers had generally benefited from the reforms, indeed he said one flaw in the reforms was that large cereal farmers received too much in compensation for "setting aside", or leaving fallow, 15 per cent of

In the UK, public opinion has been offended by direct payments of hundreds of thousands of pounds to prosperous landowners in East Anglia and other intensively farmed ara-

ble regions. Mr Steichen pointed out that the original MacSharry proposals limited the amount of setaside land for which farmers received compensation to 7.5ha. This celling had been removed under pressure from Mr John Gummer, the then UK agriculture minister.

gerating seen at Ladbroko

Coffee gains fail to take hold

By Deborah Hargreaves

Coffee prices surged ahead in early trading taking the market close to the high point reached two months ago after frost damaged the Brazilian crop. But the market lost all of its earlier gains In late trading

The November futures contract at the London Commodity Exchange hit \$4,060 a tonne in the first 10 minutes of trading, to slip back again until the opening of the New York market when it increased its price

But a wave of selling sent the contract back to \$3,925 a tonne at the market's close -\$28 a tonne lower than on

Traders pushed prices higher in the expectation that Brazil will halt its weekly auctions of vernment coffee stocks. The Brazilian government was expected to confirm last night that the auctions would be stopped as they have failed to dampen domestic coffee prices

and curb inflation. The government had planned to sell 7.7m hags of coffee this year - it has already sold 2.7m

While sales have stabilised local prices, they have failed to push them down and Brasilia is now expected to review other ways of reducing domes-

The stopping of the auctions will be bullish for international coffee prices, according to Law-

rence Eagles, softs analyst at GNI, the London brokers. umers will not have the opportunity of rebuilding stock lavels ahead of the expected shortfall in the 1995-1996 crop,"

> The tightness in supplies will continue to support market prices.

But a bout of profit-taking by the investment funds pushed the prices down at the close the London market yester-Tha supply-demand equa-

tion continues to be hullish, but the market read too much into it too quickly and moved ahead too fast," said Mr Robert MacArthur, vice president of tropical trading at Merrill Lynch in New York

Russia's US grain imports likely to reach 7m tonnes

By John Lloyd in Moscow.

Russia will import some 7m tonnes of grain from the US this year in spite of earlier declarations of self sufficiency - a sign that the Russian harvest will be down on last year's

modest levels. Mr Michael Espy, the US agriculture secretary, said in Moscow yesterday that the US had cleared the obstacles to export of 400,000 tonnes of wheat to Russia, and in doing so had opened up the way to further purchases which Russia wished to make. The two sides had initially disagreed on who should bear the carriage costs of the wheat consignment

the has US agreed to do so. Mr Victor Khlystum, Russia's agriculture minister, speaking after talks with Mr Espy, said that it would buy between 5m and 7m tonnes of assorted grains from the US - including corn, sova cakes and feed grains. Russia imported L8m tonnes of grain in the first six months of the year - in part

because the US \$700m concessional sales programme announced last year had been exhausted.

Mr Khlystun said that grain bought and supplied from the US to the Russian Far East would be cheaper to deliver to these regions than grain bought and delivered from the European areas of Russia - a sign of the spiralling transport costs which have depressed

coal and other domestic sales. The official news agency Tass, quoting figures from the Russian agriculture ministry, said that 47.2m tonnes of grain had been harvested so far -20m tonnes down on the harvest at the same time last year. In a separate report, the Interfax agency said that the minis try forecast a total harvest of between 90m and 94m tonnes this year compared to last

year's total of 99m tonnes. Mr Espy said he had told Mr Khlystun that, "the US stands ready to fulfil whatevar requests they have". He said he had discussed long- and short-term credit programmes for grain imports to Russia, and that an agreement on amounts should be reached.

Mr Khlystun told his US opposite number that Russia was interested in importing corn, wheat, soybean meal "and perhaps other commodities like pork and beef". The US agriculture department is forecasting Russian demand of than 6m tonnes of grain.

Deliveries to Russia last year ran at 11.1m tonnes, and 25.5m tonnes in 1992. Reports from the Russian countryside point to a worsening position in the state and collective farms, as credits to agriculture are cut and sowing and harvesting are reduced.

At the same time, however, demand is falling. The newspaper Moskovskii Komsomolets headlined its main report at the weekend "There is a harvest - but who will eat it?". It also said that "the statistics show that we are eating less and not because we are worrying about our figures".

MARKET REPORT

Gold nears \$390 mark

The GOLD price found it impossible to break through the \$390 a troy ounce barrier on the London bullion market vesterday and the price ended at \$389.70, up \$2.05. Dealers said Swiss buying started the present rally and investment funds joined in yesterday on the New York Commodity Exchange. But producer selling capped the market at about

"At this level the price looks very attractive to the producers, especially the Australians," said one dealer. "The New York guys seem to be interested in buying gold on dips to around \$387.50, so its pretty well supported," he

ALUMINIUM was lively in after-hours trading in London. Speculative huying helped run prices above stubborn technical resistance at \$1,570 a tonne. Last business was at \$1,576.50, up \$15.50, and traders suggested a move towards \$1,600 was likely.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS **LONDON METAL EXCHANGE** M ALUMINIUM, 99.7 PURITY (\$ per torme)

Previous High/low AM Official

1543.5-44.5

1533-34 1532

1568-68.5 1556-59

Kerb clase		1576-76.5
Open int.	277,695	
Total daily turnover	45,287	
ALUMINIUM ALL	DY (5 per borne	9)
Close	1550-55	1572-75
Provious	1650-55	1570-75
High/low	1000-00	1569/1567
AM Official	1545-50	1565-68
Korb close	1343-30	1570-80
Open Int.	2,906	IDIU-BU
Total daily turnover	741	
I LEAD (\$ por tonne		
		4:44 := =
Close	601.5-2.5	616.5-17.5
Provious:	604 5-5.5	818-20
High/low	599	620/612
AM Official	596.5-99.6	612.5-13.6
Kerb clasa	14.077	616-7
Open int.	41,277	
Total daily turnover	10,214	
■ NICKEL (S per ter	mei	
Clase	8125-36	6310-20
Provious	6230-35	6326-30
High/low	6150	6340/8240
AM Official	6145-50	6245-50
Kerta olasa		6330-40
Open mt.	53,764	
Total daily tumover	15,088	
TIN (Siger torme)		
Close	5285-95	5360-70
Previous	5310-20	5365-70
High/low		5390/5340
ANI Official	5265-76	5336-45
Keib clase		5390-96
Open int	17,697	
Total daily lumover	4,569	
 ZINC, epoclal hig 	h grado (\$ per	tonne)
Close	967-68	990-91
Previous	965.5-66.5	989-89.6
Hgh low		994/987
AM Official	96-1-64.5	967.5-86.6
Nerto ciosa		994-95
Open Int. Total daily tumover	97,993	
	16,702	
COPPER, grade #		
Close	2467 5-68.5	2486-87
Previous	2482-83	2497-88
High Tow Att Official	2463 2463-64	2497/2481
Koth close	2403-04	3481-82
Open int.	217,740	2487-88
Total daily tumover	60,018	
I LIME AM Official	E/S rate: 1.54	58
LIME Closing C/S	rate: 1.5460	_

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+0.10 115.00 114.25

Gold (Troy oz.)	5 price	£ equiv.
Close	388,50-389,90	
Opening	387,60-388,00	
Morning fix.	388.40	250,823
Afternoon fix	389.70	251,582
Day's High	390.10-390.60	
Oay's Low	387.40-387.80	
Provious close	387.40-387.90	
Loco Ldn Mean (lold Landing Rate	e (Va LISS)
1 month	4.35 6 months	4.
? manths	4.36 12 monti	ns 4

355.70 360.20 365.45 378.85 3 months 6 months 1 year 557.25 564.45 581.35 \$ price 392-396 400.50-403.00 Krugemand Maple Leaf

Precious Metals continued ■ GOLD COMEX (100 Troy az.; \$/troy az.)

	Soft	Day's			Орен	
	factor	change	Elliph	JOH	int	Vol.
Stp	390.2	+23	-			
Qet	391.4	+3.2	391.7	388.8	9,159	26
Mag	392.9	+22				
Coc	394.4	+22	394.6	363.0	30,641	6,77
Feb	397.6	+2.2	396.0	300.6	13,342	2
Apr	400.9	+22	401.0	400.5	6,727	7
Total					157,384	10,50
M PL	MUNITA	NYME	(50 Tr	oy oz.;	\$/tray	oz)
Oct	421.5	+0.3	424.6	420.2	16,672	2.77
Jen	425.5	+0.5	428.0			
Aur	429.5	+0.6	430.0	428.0	1,858	-
34	433.0	+0.6			461	. 1
Oct	435.5	+0.5	•	-	102	
Total					25,111	3,00
E PA	LLADEUN	NYME	X (100	Troy o	z.: \$/tro	y (Z)
Step	154.50	+0.75	165.75	154.00	147	
Dec	155.50	+0.25	156,35	155.50	5,485	35
Mor	156.00	+0.26	157,00	155.76	727	5
Total					4,428	40
SR.	VER CO	MEX (10	10 Troy	oz.; C	anta/tro	y ŒJ
54p	650.0	+3.4	552.5	546.0	605	21
Oct	552.0	+3.0		-	5	
Herr	554.2	+3.2			-	
Dec	556.7	+3.2	560.0		63,916	10,93
Jan	559.1	+3.2	502.0		57	
Wat.	564.7	+3.2	563.0	568.5		14
Total					108,333	10,42
ENE	RGY					

	RGY		(42.00	NO US	oots. S/	berreil
	Lates	Day's change	Mak	Lew	Open	Yol
Oct	17.70	+0.00	17.81	17.61	66,667	36,425
Mary	17.81	+0.11	17.88		62.519	14,137
Dec	17.90	+0.11				
Jan	17.96		17.96			
Feb	17.96	+0.12	18.00	17.90	19,293	2.305
War	17.95	+0.09	17.98	17.93	14,844	380
Tetal					42,535	65,400
■ CR	UDE OIL	IPE (\$4	Darrel)			
	Latert	Day's			Open	
	pricu	Chicago	High	Lew	lest	Yel
Oct	18.45	+0.12	18.51	16.33	86,885	20,480
Mary	16.60	+0.12	16.65	16.51	42,675	

Tetal					442,633	05,400
■ CR	UDE OIL	IPE (B/	barrel)			
	Latert	Day's			Орен	
	price	chings	High	Lew	lint.	Yel
Oct	18.45	+0.12	18.51	16.33	86,885	20,480
Herr	16.60	+0.12	18.65	15.51	42,675	10.227
Dec	12.70	+0.12	16.73	18.61	20,987	1.892
Jan	16.70	+0.08	16.73	16.61	9,104	1,313
Feb	16.70	+0.11	10.70	16.83	4.822	62
Mar	16.66	+0.05	16,70	16.06	5,077	
Total					158,705	27,253
HE	ATING O	EL NYME	K (42,00	O US ga	M; CUB	gelle.)
	Lubiqu	Day's			Орец	
	price	change	Hydr	Low	int	Vol
Oct	50.05	+0.15	50.40	49.85	41,484	13.034
Nov	81.19	+0.17	51.20	50.60	30,153	2,948
Dec	52.10	+0.19	52.20	51.65	38,858	
.lee	52.85	+0.24	52.90		22,536	
Feb	53.15	-0.29	63.15	53.10	9,780	130
Mar	52.48	+0.30	52.46	52.48	9,186	373
Tetal						24,876
E GAS	B OIL IPE	(\$/torne)			,	,,,,,
	Carlo	D-A-				_

Орен		Tetal					164,723	24,876
bet	Vol	E GA	B OM. IPE	(\$/torns	9			
6,950 1,088 615	705 26		Şutz price	Day's change	High	Low	Open	Yot
1,416 535 315 1,584	3,080 56 4,088	Sep Oct New Dec Jam Feb Total	180,00	+0.75 +0.50 +1.25 +1.25	158.50 158.50 180.26	154,70 157,25 158,25 160,26 161,00	22,927 26,867 13,542 16,306 12,573 4,477 107,854	1,775 321 17
		M NA	TURAL (as im	EX (10,1	000 mm	Bal: Sim	milita.)
				Day's			Орен	

2040 +0.015 2.045 2.040 12.010 587 2.000 +0.017 2.000 1.885 8.065 458 151,338 19.044

M WHEAT LCE (C per torme) 165.80 168.85 110.80

4,162 8,800 4,605 7,963 10,461

	-	-	- 11-0	-	40110	
JS gats. \$/barrel)	Nev	580/4	-2/2	5844	57.50	7
to Sout And Joh	- 100	586/0	-1/6	7707C	\$87/0	1
Open	Mar	506/6	-30	801/0	3000	- (
per int Yol	May	603/0	-2/5	607/0	802/4	4
61 66,687 36,428	JM	F-808	-1/4	612/0	10770	- 7
70 62.519 14.137	Total					12
.70 81,662 8,903	E 50	MABEAY	OIL C),DB) TE	000bs:	œ
.62 33,485 2,657	Sep	26,13	+0.24	26.16	25.83	- ;
.90 19,293 2,303	6et	25.86		25.94	25.65	
.93 14,844 880	Dec	25.64			25.44	
492,635 05,408	Jan	25.43		25.52	25.27	3
		25.23		25.32	25.05	3
	Mar	28.02		25.12	24.90	- 1
Open	May	20115	+4.17	414	2	7
	Total					
33 66,865 20,480	30	YABEAN	MEAL	टहा (१	OU NOT	5
L51 42,678 10,287	See	174.2	-13	1754	173.0	
Let 20,987 1,882	Oct	1723	-1.5		171.9	13
181 9,104 1,313	Dec	173.1		174.8		3
.83 4.822 62		173.9	-1.6		173.8	7
.86 5,077 -		178.8	-14	178.2	176.5	1
158,705 27,253	May	178.0	-1.5	179.5	177.5	- 7
galle.; c/US galle.)	Total	.,				
		TATOES	CER	ternet		
Opeq						_
over int Val	How	160.0	-	-	-	
LBS 41,484 13,034	Har	105.0			:	
60 30,153 2,948	Apr	229.5	+1.8	295.0	229.0	1
.65 38,858 6,536	May	240.5	-		-	
65 22,536 1,212	Jen	107.5		-	•	
10 9,780 130	Tata					1
46 9,186 373		SOHT (B	FFEQ!	LCE (\$1	Q/Inde	K P
184,723 24,876	Sep	1529	+38	1525	1490	
	Oct	1543	+36	1548	1305	
	Hov	1540	+42	1540	1540	
Open		10-0	140	1949	1000	

		-		-	200	406	
	151,75		152.50	151.00	22,927	5,168	
	155.50	+0.75	156.00	154,70	26,867	8,540	
	157.75	+0.50	158.50	157.25	13,542	1,409	
	180.00	+1.25	180.28	159.25	16,306	1.775	
	191.25	+1.25	161.25	160.26	12,573	321	
	161.75	+1.50	161,00		4,477	17	
					107,854	15,493	
Г	URAL C	as im	E X (10,1				
_	Latest	Day's	E X (10,1		Ru; Va		
_	Latest	1000	ESK (10,1				
	Latest price	Day's		DOD FAIR	Open Spirit	wal	
_	Latest price 1.635	Day's change	High 1.640	000 FMTS Love 1.695	Open St. 29,665	Wal 10,712	
	Latest price 1.635 1.666	Day's change +0.039	High 1,640	Low 1.595 1.845	Open int 29,665 17,777	Wal 10,712 2,578	
	Latest price 1.635 1.666 2.065	Day's change +0.039 +0.031	High 1,640 1,870	Low 1.595 1.845 2.040	Open St. 29,665	Wal 10,712	

	Day's			Conn	
price	change	High	Low	int	Vol
45.15	-0.19	48.85	47,86	29,214	13,901
48.05	+0.01	48.45	47.90	14,835	4.718
	+0.61	54.85		8,144	1.538
54.00		54.00		4,558	
53.80	+0.70	-		3,283	316
55.00	+0.90	•	-	480	186
				\$4,880	21,387

GRAINS AND OIL SEEDS

-	11000	7000	11000	1107.13	1,100	-
lay.	113.00	+4.10	113.00	112.90	1,191	104
W	114.80		114.90			5
qtal					7,245	140
6 W	EAT CE	(5,00	Oper met	; cente	/BOND be	
ap	376/0	+6/0	377/9	371/4	1,471	343
80	390/4	+614	391/0	3544	44,229	6,575
lar -	385/4	+6/0	396/0	369/4	16,254	1,229
le 7	366/0	+60	367/0	380/4	1,572	121
4	360/2	+4/0			2,750	308
-	353/4	+2/6	363/4	3594	4	
otal					70,314	10,677
6 MV	EZE COT	(5,000	bu min	cente	566 bu	Whet)
40 40	226/4	-	22/5		8,909	4,188
90	221/4	+1/0			129,857	21,713
ler .	237/0	+1/2	23772	234/5	28,325	2311
ley u	242/4	+1/2	243/0	246/4	12,026	455
4	247/0	+1/2	247/2	245/0	12,195	398
	248/5	+1/2	24675		937	65
otal					200,627	29,224
BA	RLEY LC	E (2 pe	T BOISTO			
4	103.50		103.50			
04	104.65		104.70			25
	106.65	-0.25	106.65	105.50	352	
	108.75	-	-		92	-
lay .	110.40	-	-	-	51	
					1,051	38
80	YABEAN	CET (7000pm	mir cen	#180#b p	
4F	596/4	-1/0	502/0			1,402
47	580/4	-2/2	5844			
-	CRRA	-1/6	5300	527.0	14.157	3 728

553 573 50 582 267 60 2,425 1830 1532 1530 1532 1335 +40 +42 +13 Class 1471

Liverpool-Spot and stapment seles amounted to 240 tennes for the week ended 2 September against 250 tennes in the previous week Restricted operations involved few fresh dealings, Only occasional interest displayed in Central Asian and American styles.

SOFTS IN COCOA LCE (E/tonne)

Open Low but Vol 952 125 24 965 31,878 2,212 1015 22,269 954 1030 12,185 88 1045 5,497 151 1057 9,214 75 954 999 1023 1041 1058 III COCOA CSCE (10 tomes; \$/tennes) +19 1296 +19 1350 +15 1353 +15 1420 +15 1440 +15 -1261 108 25 1330 41,218 8,441 1375 13,351 1,610 1415 3,884 515 1434 2,495 70 1,305 2 E COCOA (CCC) (SOR's/tonne)

-6 4165 4030 2,676 208 -25 4080 3895 13,284 2,194 -46 3890 3895 13,284 1,732 -53 3925 3780 5,885 385 -50 3855 3720 1,675 283 -46 3830 3715 273 65

IN COFFEE 'C' CSCE (37,500bs; cente/be) 210.55 -1.80 222.00 205.00 251 216.45 -1.25 222.75 212.50 22.605 5 219.75 +0.00 225.15 217.10 6,614 220.80 +0.70 225.95 218.00 3,029 221.50 +0.70 226.95 218.00 3,029 221.50 +0.70 226.95 220.00 708 222.40 +0.70 - 412 IN COPPLE OCCI (US cents/pound) 12.88 +0.44

III No7 PHEMIUM RAW SUGAR LCE toerts/fbs 11.82 11.59 329.50 +1.40 330.50 320.50 7.863 2.879
227.30 +2.50 328.50 218.00 2.520 865
328.30 +2.50 328.50 318.32 8.274 1.500
327.50 +8.70 327.50 318.40 533 61
328.30 +7.20 328.00 322.00 336 30
387.50 +2.20 300.50 307.50 206 15
17,714 5.404 # SUGAR "11" CSCE (112,000fbs; cents/fbs)

12.58 +0.45 12.99 11.90 46,029 16,142 12.61 +0.40 12.43 12.01 62,938 10,305 12.51 +0.29 12.15 11.88 5,039 785 11.98 +0.28 11.96 11.76 1,857 137 11.59 +0.28 11.45 11.35 501 14 M COTTON NYCE (50,000lbs; cents/lbs) 70.65 +0.70 70.75 68.90 3.763 254 68.71 41.90 59.75 66.70 27.571 32.57 71.00 +0.82 71.15 70.06 8.165 456 72.26 +0.95 72.85 71.20 4.571 31.2 72.55 +1.25 72.95 72.80 3.445 31.2 70.15 +0.55 -414 1 61.254 4.664 +0.00 86.00 87.00 739 +0.40 91.75 90.95 10.077 1 +0.55 96.50 94.75 4.571 +0.40 99.25 98.95 30.93 +0.95 102.50 102.97 885 +1.00 102.00 105.00 484 -0.95 102.00 105.00 484

Get Ger Har Har Jul Cost Total

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Crude OI are one

REUTERS (Base: 18/9/31=100) CRB Putures (Base: 1967-100) MEAT AND LIVESTOCK IN LIVE CATTLE CHE (40,000lbs; cents/lbs

	Sutt	S. Lead			Open	
	price	-	High	-	ist	MA
Dot	70.375	-1.175	71,300	70,250	34,903	4,476
Dec	89,325	-0.860	59,500	BQ.100	17,348	1,719
Feb	68,200	-0.800	68,700	68,125	11,837	345
Apr	69.825			69,800		351
Jon	86,875			55,825		59
Acq	86,825	-0.475	66,800	68,525	870	30
Total					74,797	8,960
	E HOGS	CIVE !	0,000	pet cour	15/R04)	
Oct	39.025	-0.050	39.375	36,650	11,513	3,507
Dec	38.875	-0.025	40.175	39,800	10,025	1,948
Feb	40,025			39,750		487
Apr		+0.300				155
A.E		+0.150				51
Amp	43.100	+0.060	43,200	42,925	76	5
Total					27,A76	6,190
R PO	RK BELL	TES CY	(E (40,	000ks;	conts/b	(4)
Feb		-0.175			7,432	2,276
Mar		+0.025				82
May		+0.400				15
						15
Jos	44.500		44.500	13.500		
Aug	44.500 43.250		44.500	*3.900	30	1
Aug			44.500	*3.900		
Aug Total	41250	TR	ADE	D O	PTIO	2,555 NS
Aug Total LON Strike	43.250 IDON price \$	I TR	ADE	D O	30 6,127	2,555 NS
LON Strike	41250	I TR	ADE	D O	PTIO	2,555 NS

E COPPER E COFFEE LCE Jan 491 484 438 Mar 55 42 51 M COCOA LCE 55 22 8

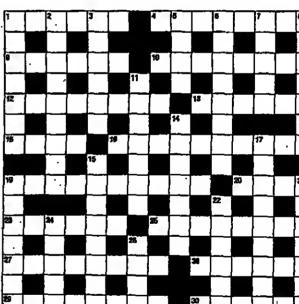
LONDON SPOT MARKETS M CRUDE OR. FOR (per berrel/Oct)

Off. PRODUCTS NWEprompt delivery OF from						
Premium Gesoline Ges Oli Hessy Fuel Oli Naphtha Jet fuel Februkun Argus essissaminta	\$184-157 \$156-167 \$72-74 \$160-162 \$172-173	+2 +1 +2				
OTHER						
Gold (per troy oz) Silver (per troy oz) Patinum (per troy oz.) Paladium (per troy oz.)	\$389.70 550.5c \$421.00 \$154.25	+2.05 +8.00 +1.25 +0.25				
Copper (US prod.) Lead (US prod.) In (Kuala Lumpur) In (New York)	121,5c 38,25c 19,40m 248,5c	+1.0 +0.14 +1.0				
Cattle (five weight) (© Sheep (five weight) (© Figs (five weight) (©	116,25p 88,33p 75,65p	-1,02* +0.37* +0.13*				
.on. day sugar (raw) .on. day sugar (mta) fata & Lyle export	\$296.4 \$835.8 \$305.0	-6.2 -9.2 -3.0				
Sariey (Eng. feed) Asize (US NoS Yellow) Mheet (US Dark North)	2107.0w 4180.0 £138.0					
Rubber (Dot)* Rubber (Nov)* Rubber KL RSS Not Aug	85.00p 85.00p 312.00m	-2.50				

+7.5 +5.0 -26.0 +0.25

CROSSWORD

No.8,553 Set by ALAUN



ACROSS 1 Quotes, reading aloud from
"Tourist Attractions" (8)
4 Forces me to go back into the
building (8) 9 On a piece of wood (6) artist (7)
10 Knock down and it spills out 11 Leaves half the side sections

get transport! (7)
17 Regarding what you say, he understands (3,6) Villain, meet your doom!" (4)
18 A bit dull, unlike Switzerland
19 The section about cooking

(6.4)

18 No rush to produce the pris21 Go beck and baggle with 19 No rush to produce the prisoners' trousars? (4.2.4)
20 Box with belts that have been returned (4)
23 Can joke about the punishment (6)
24 Quick answer to "Will this material wear well?" (5)
25 Checlete coin making a come-25 Infernally warped, is intent 26 Obsolete coin making a come

on (8)
Being for once smart, 1 go
inside (6) 28 Lumber from the stable (8) 29 The charm that well-cut tails give to a chap (8)
30 Seek for a way to keep the rabbit population down (8)

1 Crazy turn taken by the plot - attempted nurder (7)
2 Piloting the eblp badly though having a besic knowledge (9)
3 Rubbishi Line it with hard better (6) leather (8)
5 Flight most of the way (4)

AMANDA USABLE
B LO PUN
FOXTAOT WOLFAAR
D M M F O
ZABAOLHONE ANTI
E A L M
BEARD DOGODER
V E L A M
BEWMANTE DUCAT
A A B O
ABTO BH LVERMINE
KOTCHEN GEMETTO

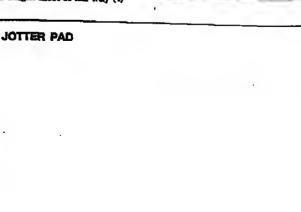
6 A killing made, we

(7) 14 Didn't lift e finger to try to

Solution 8,552

۲.

land (8)



LONDON STOCK EXCHANGE

Interest rate worries again sap early confidence

By Terry Byland, UK Stock Market Editor

interest rate worries continued to cast their spell over the UK stock market yesterday as investors specuisted over the progress of the monthly policy meeting between the UK chancellor of the exchequer and the Governor of the Bank of England, A firm opening by share prices melted away and, although UK government bonds resisted easier trends in other global bond markets, the FT-SE 100-share Index ollpped into negative territory et the close, and was not helped by an early fall of 8.75 on the Dow Industrial Average.

Nervousness over UK base rates increased after the Halifax Building Society, Britain's blggest bome mortgage lender, admitted to signif-

icantly reduced confidence in housing industry prospects, and warned of the likely effects of any rise in rates. Reported comments from a Bundasbank council member that rates could still fall in Germany appeared to land on deaf ears.

The final reading showed the FT-SE 100 at 8,203.9, a net 1.5 down. after a slow but steady reversal of an early improvement of nearly 14 points which reflected an initial recovery in German bonds from the falls of the previous day.
The FT-SE Mid 250 Index lost 3.3

at 3,779.1. Trading volume increased

to 635.2m shares through the Seaq electronic network, more than 10 per cent up from Tuesday's figure, when retail, or customer, business stayed high et a worth of £1.39bn.

While many strategists doubted suggestions that the UK authorities market gain.

might decide on a pre-emptive rise in base rates, it was generally agreed that the possibility would at least find an airing at yesterday's meeting between Mr Kennetb Clarke, the UK chancellor, and Mr Eddie George, the Bank of England Governor.

There was little buying strength behind the initial advance by equitles and trading volume appeared to increase as the market turned back. The relatively high level of retail activity this week indicates that the hig investment institutions are trading in squitieo, albeit cautiously, and appear to be unloading some stock. However, fund managers seem to have been reshaping portfo-lios rather than selling equities, and many analysts expect a further

While corporate profits state-

their holdings.

weighting.

Coeto

Albey National†
Albert Fisher
Alfact-Lyons†
Anglen Water
Angos
Angle Group†
Ang Wiggher†
Assoc. Erit. Foots
BAA†
BAT Inde-†
BAT

SPE Inda.

BT (P/Pskt) BIRT

British Steet†
Burnish Catarot†
Burnish Catarot†
Burnish Catarot†
Burnish Catarot†
Catarot Schwelpt Catarot Counce, thoust Vyella†
Comes, thoust Counce, thoust Counce, thoust Counce, thoust Counce, thoust Counce, thoust

However, a spokesman for

the FT-SE steering committee said that as the Eurotunnel

Units represented e combina-

tion of French and British

stock the capitalisation was

halved to give an appropriate

Viyelle,

announced the appointment of

Lord Owen to the board, eased

e half-penny to 222%p, while

NFC shed 2 to 170p following e

TRADING VOLUME

Major Stocks Yesterday

3,900 464
1,200 450
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were, in the case of RTZ, accompanied by a higher dividend payout, the market overall wee no longer responsive. A sharp rise in RTZ, which is regarded as a good guide to global economic activity, had little effect elsewbere. Strategists commented that the UK stock market, which has been driven for some months by rising company dividends and earnings, appears now to

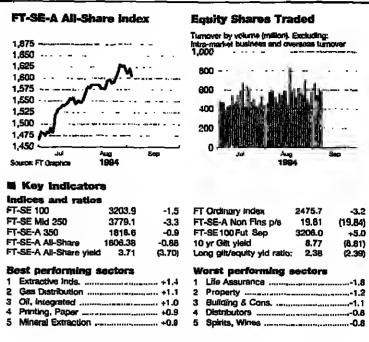
be turning its ettention back to the interest rate front. Market indices benefited from strength in oil shares, where recent recommendations from London brokerage houses outweighed any effects of the settlement of the Nigerian strike, and in bank shares. But an ettempted recovery by some retail stocks failed as inves-

tors again reacted to the implica-

ments remained favourable, and tions of the threat to domestic consumer spending of an upward move in UK interest rates. Several store shares lost early gains and the sector turned easier in the wake of the comments from the chairman of the

There was no immediate response from the stock market to the lifting of the Malaysian ban on UK trade, although several leading UK firms will hope to be allowed to tender for work on Maleysie's new internetional airport, a project from which they were originally excluded. • The FT-SE 100-share Index Steering Committee announced yesterday that Schroders and 3i Group will join the Pootsie index on Sen-

tember 19, and that NFC and Coats Viyella will leeve. Full details of FT-SE changes: UK Company News pages.



Rerating seen at Ladbroke

> Hotels and leisure group Ladbroke put on the best individual performance in the FT-SE 100 list as the market responded to an overnight surge on Wall Street in the share price of Hilton Hotels which jumped almost 10 per cent. Ladbroke owns the Hilton brand name outside the US. Dealers were quick to lift the

Ladbroke share price, citing

Technical trading ahead of

next Friday's expiry of the

otherwise steady day of

Calls 5.342 Puts 4.866

September FT-SE 100 Index

futures contract dominated an

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index poin)

3206.0

3782.0

Open Sett price Change High

FT-SE MID 250 INDEX FUTURISS (LIFFE) C10 per full index point

IN FT-SE MID 260 INDEX PUTURES (OML)Q £10 per full Index point

ME FT-SE 100 INDEX OPTION (LIFFE) ("3205) £10 per full index point

M EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

3780.0 0782.0 -2.0 8780.0 3780.0 3802.0 3803.0 -4.0 3802.0 3802.0

EQUITY FUTURES AND OPTIONS TRADING

of the US Hilton group as possihly signalling a significant rerating of Ladbroke. Mr Alasdair McNee, an ana-

lyst at Yamaichi Europe, said the market was taking the view that Ladbroke's recent move back into casino gambling, after e 15-year absence, via its acquisition of three casinos last week, could also promote an upgrading. Casinos contribute more than 50 per cent of Hilton Hotels' profits in the US, the analyst said.

Ladbroke acquired the three casinos, Maxim's, the Golden Horseshoe and Charlie Chester's, from Mr Trevor Hemmings, who became one of Lad-

consolidation that gave some

seen on Tuesday, writes Clare

20380

APT

relief from the nervousness

Gascoigne.

3227.0 3200.0

Low

rumours of a possible break-up broke's biggest shareholders following the deal. Ladbroke shares closed 5 higher at 169p after good turn-

Index surprise

A surprise result in the latest changes to the RT-SR 100 Index came too late in the day to affect the relevant stocks. but dealers seid sevaral big investors were put off their stride by the inclusion in the index of investment group 3i rather than Eurotunnel

It had been widely anticlpated that the Channel tunnel group would join merchant bank Schroders in the leading

contract was significant at

19,160 lots, but it was the

the greatest change in

than doubled to 9.826.

September to December

rapidly to 3,227 by

contracts.

of 3 points.

December contract that saw

turnover. Volume was more

compared with only 4,072 the

previous day, as traders began to roll over positions from the

September opened steadily

at 3.213, but then moved up

mid-morning, the high for the

began soon after, and the

contract closed at 3,206 -

snot on its fair value premium

to the underlying cash market

Once again, 3,200 proved

September contract touched

its lowest point at this level

and traded under 3,210 for

Volume was also high in

The most actively traded stock options were British Steel at 2,750 contracts and

17.31 90.23 1207.49 21.85 89.03 1403.22

20.36 91,77 1401.75 18.20 43,86 1247.85 31.18 38,21 1477.88 28.66 39.14 1454.58

P/E Xd adj. Total ratio ytd Return

5.07 24.74 54.71 1115.48 5.00 25.05 54.24 1098.29 5.45 22.85 58.99 1123.85

traded options, with total tumover reaching 39,939 lots, of which 10,898 were in the

the testing ground; the

most of the day.

3.92 3.28 3.42 3.77 2.97 3.14 3.71

However, a slow drift down

index, replacing textiles group fall in nine month restated Coats Viyella and freight comprofits to £76.8m from £116.3m pany NFC. A number of tracking funds which link investpreviously. Eurotunnel was e penny off at 284p and 3i slipped ments closely to the Footsie 21/2 to 319p, while Schroders had apparently already bought edged up 2 to 1535p. Eurotunnel stock to adjust

The world's biggest mining company, RTZ, advanced 13 to 885p after producing first-half figures above market forecasts. The group announced a 30 per cent rise in edjusted earnings to £242m, against forecasts of hetween £195m and £215m.

Analysts raised full-year predictions hy some £70m. For example, SGST moved its figure to £530m from £460m.

RTZ's paying of a foreign income dividend had distorted the figures by lowering the tax charge, but underlying profits were still up by 20 per cent against market expectations of about a 15 per cent increase.

More details of share buybacks and the appearance of the rumoured cost-reduction programme at Midlands Electricity kept the regional electricity stocks bubbling away. London Electricity just edged out Midlands as the sec-

tor's best performer, with London closing 21 higher at 721p and Midlands 20 ahead at 819p. Midlands said its cost reduction plans would be worth around £30m over the next two years. Manweb, which announced a similar move on Tuesday, jumped 11 more to

There were more share buybacks announced yesterday by South Wales Biectricity, which said it had picked up a further 100,000 shares late on Monday at 815p. South Wales shares **NEW HIGHS AND LOWS FOR 1994**

NEW HIGHS (82). RESPONDENCE (1) Marcton Thompson, BLDG MATLS & MCRITS | 1] Russel (A.).

DETTREUTORS (8) BEARTIME, Findlet, Notoers, Parico, Spandes, ELECTRING & ELECT EQUIP (2) Alba, TGL ENGINEERING (2) Domesch Hunter, Researches, ELECTRING & ELECT EQUIP (2) Alba, TGL ENGINEERING (3) Domesch Hunter, Beansonnes, Traby (6) ENG (4) HEALTH CARE (1) Michard Assels, RIVESTRECT TRUSTS (8) ETM Design Tsu, Wints 2005, JF Asia Select, TR European Growth Trust, ELEGURE & HOTELS (4) Buebird Tout, Furine Bosts, Northern Lesure, Co. Cv Do 9(10), MEDIA (1) Grampian TV A. MERICHART BANKS (1) Schroders, Oil. EXPLORATION & PROD (1) Guillatream Res Canada, OTHER FENANCIAL (1) SSU, PHARRACEUTIGALS (1) Bris Bosech, RETAULERS, GENERAL, C5) Austin Peed, French.

Guidateam Res Cameda, UTHEN FINANCIALA, I)
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RETAILERS, GENERAL (S) Austin Read, French
Connection, Oliver Oreup, SPIRITS, WINES &
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SERVIS (S) Harvini Witting, Radius, Raliance
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TRANSPORT (I) ORT Bus, WATER (I) South
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NEW LOWS (S),
GALTS (I) Tressury 13Mpc Ln. 1997,
CHESIGCALS (S) Satcliffe Speakman, Wellington,
DISTRIBUTIONS (I) Persona, Elma, VEHICLES
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LESSURE & HOTELS (Z) Grancis Cv. Pri,
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edvanced 13 to 830p. There were also strong performances from Eastern, up 9 more at 797p, Norweb, 12 higher at 817p, and Sonthern, which rose 13 to 780p.

The Scottisb generators suffered yet more weakness ahead of the pricing review, which was said to be imminent. Hydro-Electric lost 10 at 388p

National Westminster was the outstanding stock in a its interim profits, which more bank sector still attracting than balved because of a £15m

plenty of ettention from the big institutions. The shares rose 7 to 518p, belped by a positive recommendation from Credit Lyonnais Laing, whose hanks team pinpointed the stock as a particular benefi-

clary of higher base rates. The market gave a grudging response to the interim profits improvement et Hillsdown Holdings, with dealers marking the shares up to 185p immediately the results were announced before chopping them back to their overnight level of 181p.

Ms Arabella Cecil, food manufacturing analyst at Credit Lyonnais Laing, described the figures as "satisfactory rather than exciting", but remained bullish of the stock. "We continue to expect a 10 per centplus rerating over the next 12 months as consistent recults are delivered and the dividend resumes growtb." Ms Cecil cautioned, bowever, that the stock would be low ou short term thrills.

Dalgety receded 4 to 4890

amid talk of a James Capel sell recommendation. Cedbnry Schweppes rose 5 to 472p, helped by a Strauss Turnbull buy recommendation in front of interim figures expected this morning. Nurdin & Peacock put on 6

at 183p in the wake of the well received interims, which included a 5 per cent increase in the dividend.

Engineering group BBA managed to overcome an initially unfavourable reaction to exceptional litigation charge. The market was pleased with the progress the group bas made and encouraged by management's reiteration of target margins of 10 per cent. The stock put on 9 at 198p on high

volume of 3.8m. Nervousness ourrounded GKN, which declined 9 to 614p. There was rumoured to be a block of 1m shares in the market and few takers.

Simon Engineering suffered in spite of reducing first-half losses, the shares dipping 4 to 110p. "it is difficult to see any value short of breeking the group up," said one analyst. Profit-taking took 4% off British Steel at 153!ip. The stock has lost 7 oince Monday, sparked by downbeat price comments made by ASW when

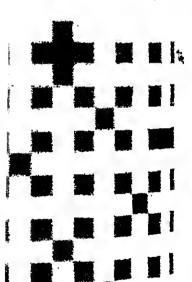
announcing its results on Arjo Wiggins, the paper group, improved 71/2 to 279p ahead of interim figures due today. Bowater remained strong, closing 6 up at 498p.

Encouraging figures from Portais, the banknote paper maker, saw the shares jump 20 to 675p. Interim profits rose 20 per cent to £16.2m.

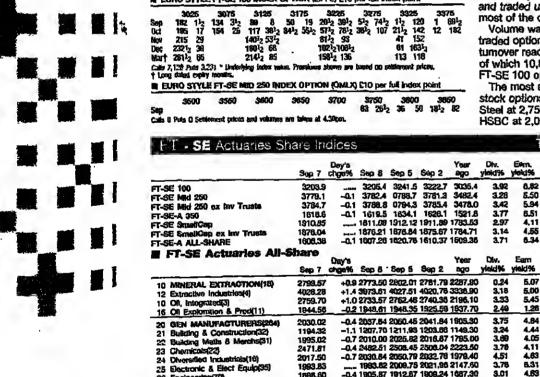
Anagen, the medical diagnostic group, forged aheed 13 to 65p after announcing that the US Food and Drug Administration had approved its automated immunoassay system.

MARKET REPORTERS: Peter John, Clare Gascolgne, Steve Thompson.

■ Other statistics, Page 18



CROSSWORD



2.49 1.28 50.007 20.33 1114.94 3.75 4.84 26.37 52.06 1029.88 3.24 4.44 29.06 21.47 929.42 3.69 4.05 01.00 46.51 934.47 3.76 4.11 30.70 72.57 1093.88 4.51 4.63 25.49 64.88 1027.59 3.76 8.31 18.89 \$5.09 973.90 3.01 4.83 25.63 39.89 1081.77 4.39 2.46 57.86 54.22 1134.73 2.89 5.00 23.42 54.22 1157.57 3.89 6.40 19.33 40.48 973.40 -0.7 2010.00 2025.82 2016.87 1795.00 -0.7 2010.00 2025.82 2016.87 1795.00 -0.4 2482.51 2508.4 2509.04 2223.60 -0.7 2030.84 2050.79 2032.78 1979.40 -0.4 1963.82 2009.75 2021.96 2147.90 -0.4 1965.87 1912.87 1908.24 1687.90 -0.3 2367.25 2384.95 2378.92 1973.00 +0.9 2380.66 2814.08 2879.70 2448.70 +0.1 1728.21 1733.84 1705.46 1814.10 7.14 16.20 63.37 965.18 7.38 16.46 60.23 1037.22 6.57 17.65 83.82 961.84 7.38 15.74 71.03 1004.49 7.37 18.18 52.80 882.10 3.20 43.85 35.06 984.34 7.02 16.50 70.05 873.23 9.40 11.45 217.07 834.34 4.12 4.08 3.78 4.00 3.80 2.93 4.03 5.93 -0.4 2836.34 2885.39 2874.45 2799.50 -0.6 2329.40 2364.04 2366.84 2091.30 -0.9 2851.07 3003.97 2986.29 2911.60 +0.1 2392.51 2412.89 2388.90 2381.30 CONSUMER GOODS(97) 40.1 2500.29 2541.30 2551.14 2456.70 -0.5 1712.39 1725.88 1727.57 1792.40 -0.4 0112.53 3197.95 3150.73 3059.80 -0.2 3860.03 3804.45 \$785.48 3940.30 34 Household Goods(13) 36 Health Care(21) 37 Pharmocauticals(12) 38 Tobacco(1) 8.01 11.45 277.07 854.34 8.01 20.09 42.01 977.79 9.59 17.89 82.63 926.28 4.67 25.69 48.63 1044.27 5.10 22.61 60.09 1016.82 8.64 14.49 45.10 1099.97 6.29 19.82 35.85 908.98 5.92 19.94 28.12 965.98 5.14 22.85 42.82 920.10 2.10 80.001 21.48 1138.08 -0.2 2000.08 2019.26 2014.57 1925.50 -0.5 2704.28 2730.76 2742.09 2798.80 +0.6 2704.28 2715.37 2108.03 1977.89 -0.2 2938.81 2994.93 2958.14 2528.90 -0.4 1851.20 1877.64 1854.48 1904.40 -0.4 1712.61 1731.48 1732.83 1661.80 -0.8 1603.90 1604.33 1694.25 1651.96 +0.2 2356.21 2375.77 2383.22 2266.90 41 Distributors(31) 1594.66 2360.03 1329.30 40.1 1328-27 1329.01 1327.84 1318.90 3.B1 +0.2 2495.18 2515.10 2502.63 2295.20 4.21 7.53 18.10 73.42 963.00 -0.1 2644.07 2658.65 2658.57 1828.90 3.47 9.52 12.82 83.45 1098.23 +1.1 1933.33 1994.59 1978.79 2176.20 8.13 ± ± 66.79 893.49 +0.4 2061.08 2067.31 2078.62 2073.30 3.95 7.86 15.17 50.22 891.27 -0.7 1967.90 1990.33 1947.48 1836.70 4.97 19.11 9.00 88.35 977.27 51 Other Services & Busine 60 UTILITIES(36) 62 Electricity(17) 64 Ges Distribution 68 Water(13) -0,1 1738.59 1764.25 1747.07 1528.83 3,89 8,07 19.81 43.97 1221.47 -0.1 1738.58 1709.20 1747.01 1828.53 3,89 8,07 19.81 43.67 1221.47
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LONDON EQUITIES LIFFE EQUITY OPTIONS

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(*289.)	300		16%			27 Yr		(*156.)	180 435 736 1132 28 30 31
ASDA	60	7	814	10	21/2		5%	Lucas Jada	180 28 24 27½ 6½ 10 13½
(*64)	70	215	44	51/2	8	10	11%	(~194)	200 8% 13% 17% 17% 21 24%
Brit Almans	390	31	40%	51	7	18	21	PAO	850 38% 54% 83% 25 36 49%
C410)	420		241/2	36	21	30%		(*670) Pikkington	700 18 31 41% 56% 66 78 180 22 25% 25% 4% 7% 10%
Said Bote A			3816		10%			(*195)	200 10% 15 16% 13 17 19%
(*436)	460 500		181/2		31		47%	Prudeptial	300 27% 34 38% 7 11% 17%
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Courtaintée (*506)	500 550		16%			25 5412	67%	WINE SITTS	354 2514 814
Commy Union			44%		11%		311%	(-372)	384 9% 25
(*563)	600		20%		425	43	60%	Option	Oct Jess Apr Oct Jen Apr
								BAA	475 31 38 48% 8% 13% 17
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•			100					Option	Sep Dec Mar Sep Dec Mer
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Nacriess		321/2			12	21	32	(°31)	36 1 214 514 5 5 514 714 550 53 60 7914 114 914 1814
("510)	550		244	311/2		40	80	Earcleys ("596)	600 1514 38 49 141/2 29 401/2
		_	~		_		-	Stun Circle	300 18 27 36 49 129 109
Spinsbury (*447)	420 460	37	251/2	50%		16% 35	40	(313)	330 EV 14 22 25 254 35h
Shall Trans.		181/2			22%	31	44	British Gas	280 181/231/271/21/21/21/31/31/
(756)	800	41/4	10	241/2	60%		76%	(*395)	300 0 13% 10% 10 21 22%
Storehouse	220	10		2314			151/2	District	200 11 20% 24 5 11% 18 220 0 11% 10 18 23 28
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Uniterer	1150	38	61 1/2	78		42%		(*136)	130 51/4 151/4 19 3 7 61/4 140 4 101/4 14 71/4 12 151/4
(**156)			3714	54		70%	88		
Zeneca (*822)		13%		36	21 51½	29 57%	47 784	Nati Power (*502)	500 18 32 43 12% 25% 32 550 2 13 25 40% 57% 82
Option			Feb						
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adomic	160	15%	221/2	28	8	10%	14%	(*120)	130 1% 4 7 11% 13% 10
(~189) Lite Blaquits	160	7	1374		14%	234	28/2	Forte	220 \$31/2 261/2 32 2 6 101/2
Utd Biscuits	330	15	23	29	10		31%	(*238)	240 7 1414 21 714 1414 19
(°330)	360	_ 5	12 Dec	10	36 Sep	42 Dec	61 Mar	Tarmac	160 101/2 161/2 21 41/2 12 15
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(*152)	160	3	•	"	1472	104	18	TSB	220 1614 241/2 28 21/2 71/4 131/2
Option		Nov	Feb	May	Nov	Feb	May	(*232)	240 4 13% 17 12 17% 24
Brit Aero	500	40		67%	23	34	4	Tornidas	220 1S 28 281/4 2 7 11
(*517)		17%		45h		62%	7	(*234)	240 4 13 17 10% 19 20%
BAT lede	420	33	43	51	12	17	27	Wellcome	850 44 60 8814 714 2514 3814
(*436)	460	13	24	30%	3314	381/2	50	(1882)	700 1412 41 60 31 49% 61
OTO	200	9014	35	40	8	13	18	Option	Oct Jan Apr Oct Jan Apr
etr Perox	390	281/2	1876	25	24		34%	Glasso	600 32 51 81% 27% 41% 55%
(*962) Brit Telecom	390		287		11	19%	23%	(*B18 1	650 13 25% 40% 514 72 56% 750 50 78 96 26% 49% 71
(396)	430		13%	20	29%	55	41	1458C 75p she (*766)	750 50 78 96 28% 49% 71 000 27% 53% 74% 57% 78 20%
Cactoury Sch	460	28			14%		28	Reuters	487 2814 = 14%

FT GOLD	MINE	SI	DE)	(
	Sep 6	% chg oo day	Sep 6	Sep 2	Year ago	Grees div yield %	E2 v High	muk Low
Gold Mines Index (36) Il Regional Indians	2188.68	+1.6	2153.78	2139.05	1782.28	1.98	2367.40	1522.60
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Consumer Goods	27	44	118
Services	80	77	345
Dollings	19	18	8
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Others	38	38	81
Totals	558	534	1513

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FINANCIAL TIMES THURSDAY SEPTEMBER 8 1994 FT MANAGED FUNDS SERVICE FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Deak on (071) 873 4378 for more details **AUTHORISED** Lazzard Unit Test Mingres Ltd (1200)F 21 Moorfeets, London 1529 207 07 - 474 perio (1200)F 21 Moorfeets, London 1529 207 07 - 474 perio (1200)F (1200) **UNIT TRUSTS** | House | Hous | Mail: Carpa Price | atti Giga atti Giga Mingad at Acc | Comparison | Com Metropolites Unit Treet Mages List (100085 Direct Law, Politic to ERS Add. Direct Law, Politic to ERS Add. Direct Law, Politic to ERS Add. Exception Produce 1 1555 (17.16 1287) — 4. (Bass Factor Conf. 10.00 12.14 12.15 - 4.16 0.00 12.14 12.15 - 4.16 0.00 12.14 12.15 - 4.16 0.00 12.14 12.15 - 4.16 0.00 12.14 12.15 - 4.16 0.00 12.14 12.15 - 4.16 0.00 12.14 12.15 12.15 - 4.16 0.00 12.14 12.15 23 St Anderson St. Christoppe 1 (1997) | Section | Control | Cont | Compared | Company | Comp | Design | Color | Col On Account to the County of th

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MARKETS REPORT

Markets watch UK rates

UK markets will open nervously today as traders watch for signs of a possible rise in UK interest rates, writes Philip Gawith.

Although most observers were not expecting higher rates, a minority thought yesterday's monthly monetary meeting, between the chancellor and the governor of the Bank of England, might result in a decision to raise rates over the next week.

There was no sign in the cash or futures markets that higher rates were expected, and sterling held steady with the trade weighted index closing at 78.6 from 78.5.

Elsewhere the D-Mark maintained its firm tone in Europe. with the Italian lira slipping back to finish in London at L1,019, from L1,016, on worries

The dollar traded in a narrow range, but was helped by comments from a Bundesbank official, suggesting German rates might still fall, and closed at DM1.5486 from

The start of trade talks between Mr Mickey Kantor, the US trade negotiator, and Mr Ryutara Hashimoto, the Japanese trade minister, had little impact on the dollar, which closed at Y98.965 from

Contrary to the views of almost all economists, sterling futures markets continued to discount a sharp tightening in UK interest rates.

At the beginning of the year December short sterling reflected three month rates at 4.90 per cent. By the close of business yesterday, that had climbed to 6.45 per cent.

Mr Nick Parsons, treasury economist at CIBC in London, said revised expectations about the level of rates has been accompanied by a change in the slope of the sterling yield curve. In January the Septem-ber and December LIFFE contracts were both priced at 95-10. This slope (the spread between the two contract prices) steadily widened to a peak of 91 basis points on August 23rd, as worries about rising base rates deepened. Last night the spread was 84

basis points.

Sep-Dec LIFFE short starting spread

1.5535 1.5518 1.5393

Mr Parsons said he "could not see rates rising at anything like the pace that is being dis-counted." Even if rates were to rise by as much as 100 basis points, this would not match the current pessimism. Indeed, futures prices could rise if rates are tightened: that was the recent experience in both the US and Australia.

Analysts said the reasons for the gloom probably had some-thing to do with markets being unable to shake off the past. Mr Julian Callow, economist at Kleinwort Benson, commented: "The key factor that the short sterling contract does not yet appear to have accepted is that the 1990's will not simply be a re-run of the 1980's. By very virtue of the buge explosion of in household indebtedness that took place then, it is effectively impossible for a consumer

credit-driven boom to recur." Markets, however, appear to be taking a "we'll believe it when we see it attitude." Another relevant factor is that the market does not appear to have distinguished between the US recovery and the UK recovery. The US economy is growing above its trend rate not so in the UK - and real rates were close to zero when the tightening started, com-pared to UK rates which are

about 3 per cent. It is not only UK futures markets that are pessimistic. In Germany, yesterday, three month money was trading

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around 5 per cent, compared to 5.19 per cent being discounted by the December euromark future. In France, three month money at 5.6 per cent compared to 6.1? per cent being discounted by the December PIBOR contract.

Trade in UK futures yesterday was fairly buoyant with ember short sterling trading over 45,000 lots to settle ten basis points up at 93.55 from 93.45. The September contract closed at 94.39 from 94.34. In the cash markets three

month sterling LIBOR eased to 51 from 5%. The Bank of England provided £130m late assistance to UK money mar-kets. Earlier it had provided £42m, at established rates, after forecasting a £450m shortage. Overnight money traded between 4% and 6½ per cent.

The dollar received a brief fillip from the comments of Mr Hans-Juergen Krupp, a Bundesbank council member, who told The European newspaper that he saw room for rate reductions. These gains were later unwound as Mr Krupp's reasoning left traders baffied.

Later Mr Edward Kelley, a US Federal Reserve governor, gave dollar bulls something more substantial to chew on when he told Reuters that the Fed could not afford to be lax in achieving its inflationary goals. This helped the dollar touch Y99.68 and DM1.5540 in New York trading.

The issue of a two-tier Europe continued to occupy markets, in the absence of important data releases. Numerous politicians stepped into the fray, with German ministers appearing to step back from the idea of a multitiered Europe, and Mr John Major, the British prime minister, singing a similar tune.

Analysts said renewed talk

about criteria had reminded the market that there were some countries which had public finance problems.

	2	\$
Hangary	165.321 - 165.529	108,900 - 107,000
ROT .	2896.00 - 2696.00	1743.00 - 1750.00
Kewalt	11.4599 - (1.4802)	0.2974 - 0.2975
Polari	35445.7 - 35503.6	22920A · 22950A
Munch	307411 - 3077.20	2243.00 - 2248.00
UAE	3,6736 • 5,6853	36715 - 38736

23.90 12.44 14.35 4.923 11.64 0.463 4.391 11.20 4.812 5.904 10 5.886 11.79 5.572 7.821 7.706 9.372

2.113 2.439 0.836 1.977 0.062 0.748 1.902 0.818 1.003 1.699 1 2.003 0.947 1.295 1.309 1.592

-0.0040 -0.0041

1.055 1.218 0.410 0.967 0.041 0.972 0.962 0.408 0.501 0.848 0.499 1 0.473 0.854 0.795

High 1.0153 1.0220

210.8 243.2 83.38 197.1 0.184 74.38 169.6 61.51 100. 169.4 98.79 199.7 94.38 129.1 130.5 158.7

E STERLING FUTURES (MAN) DE2,500 per 9

3.135 1.832 1.884 0.846 1.627 0.063 0.576 1.489 0.577 1.312 0.772 1.547 0.731 1

Low 1.0089 1.0150

\$10.1 181.4 186.3 63.88 151.0 56.96 145.3 62.45 78.39 153.0 72.31 96.90 100.

Est vol Open int.

				_		_				_	•	
	SPO	T. FOR	MARD A	_	THE POUND).						
Sep 7		Closing mid-point	Change on day	Bid/offer spread	Degris Mild high low	One m	onth %PA	Three m	96PA	One y		Stank of Eng. Indi
Europe												
Austria	(Sch)		+0.0262	491 - 623	16,9097 16,8183	16.8514	0.8	16,6395	0.4			115
Beigium	(BFr)		+0.0618	146 - 756	49,5230 49,2330	49.510	0.9	48.3601	-0.1	49.1401	0.4	
Denmark	(DK)	9.4812	+0.0231	764 - 870	9.5072 9.4640	\$.4884	-0.9	8.506	-1.1	9.5423	-0.8	116
Finlend	FM	7.7857	+0.0078	767 - 947	7,8500 7,7740				-			84
France	(PF+)	8.2127	+0.0181	084 - 169	8,2384 8,1959	8.2183	-0.5	8.217	-0.2	. 8.18	0.4	
Germany	(DM)	2.3963	+0.0048	943 - 983	2,4083 2,3894	2,3953	0.0	2,3026			1,3	126
Greece	(Dr)			324 - 597	365,688 383,467							
kelend	623	1.0135		128 - 142	1,0179 1,0100	1.0139	-0.6	1.0158	-0.7	1.021	-0.7	103
tely	a)			968 - 112	2446.91 2432.50					2521.4		74
Lucembourn	0.50			148 - 756	49 5230 49 2330					49.1402		117
Netherlands				847 - 871	2 6952 2.8796				0.4	2.8513		121
Norway	DAG			352 - 417						10.832		86
Portugal	Œ1	245.083		811 - 354	245.767 244.428					JULUGE		•
Boein	Pio	189,763		591 - 934	200.626 199.588					203.785	-26	85
		11.7933		856 - 010	11,8905 11,7778					12.0868		74
Sweden	(SKI)	2.0039	-0.020									122
Switzerland		2100,99	•	029 - 049	2.0161 1.9977	2,0025	0.8	1.5361	1.2	1.9652	1.9	78
UK	(2)				1,2615 1,2657	1.2597				1.2509		
Eou	-	1.2589	+0.004	581 - 596	12815 12007	1,200/	-0.7	1.2603	-04	ومعدر	-0.1	
SORT	-	U.345062		-			•	-	•	•	•	
Americas	-											
Argentina	(Pesc)	1,5459		456 - 462	1.5530 1.5437		-		-	-	-	
Brazil .	(70)	1.3674		656 - 691	1,3720 1,3987						•	
Cerada	(CS)	21167		159 - 174	2.1244 2.1134		0.4	2.1162	0.1	2.1161	0.0	26.
	r Poecj			519 - 613	5.2759 5.2519				_ = =			_
JSA	(3)	1,5466	-0.0028	485 - 470	1.5538 1.5443	1,5465	0.2	1,5448	0.5	1.5323	0.9	62.
Pacific/Middle												
Australia	(AS)	2.0817		806 - 827	2.0955 2.0808			2.083		2.1012		
long Kong	0-ecs	11.9527		600 - 554	12,0082 11,9334		0.4	11.9477	0.2	11.9547	0.0	
nda	(Fbs)	48.5254		137 - 371	48,7390 46,4520			454.00				188
lapan	e co	158,075		011 - 138	154.260 152.830		2.7	151.89	3.1	147.125	3.9	108.
Malaysia	(MS)	3.9609 2.5495		495 - 523	3.9877 3.8452 2.5734 2.5449	2,5534	4.	2,5612	4.5	2.5835		
New Zealand	(Pasa)			489 - 520			-1.8	20012	-1.8	2.5635	-1.3	
Philippines Soud Ambia		40.5796 5.8008		410 - 182	40.9182 40.4410		-	-	-			
SOUTH AVEDIN	(SF)	2,3200		992 - 019 186 - 211	5.8272 6.7921 2.3299 2.3156	-	-	-		-	-	_ :
Africa (Com.)		6.5148		126 - 100	8.5513 S.5047		:	-	- :	•	_	•
Africa (Fin.)) (P)	6.9675		870 - 079	7.0079 6.9670		•		- :	•	:	
South Korea	(Word	1239.84		906 - 901	1245.08 1237.45		٠.	•		•		
Calvern	(EL)	40.5330		206 - 453	40,7010 40,4548	. :	-	•			:	
Challand	(13) 634	99 6994		200 - 463	40.7010 40.4040		-	-		•	-	

Sep 7		Closing	Change	Bid/offer	Day's	mid	One m	orth	Three me	anths.	Die w	10F J	P Morg
		mid-point	on day	spread	high	low	Pleto	MPA	Refe	MPA	Rete	XPA	Index
Europe													
Austria	Sch	10.8975		250 - 000	10.8220	10.8570	10.8975	0.0	10.8973	0.0	10,8225	0.7	104.
Beigkan	(BFr)	31.9025		880 - 170		\$1,8040	31.8275	-09	31.9425	-0.5	82,0625	-0.5	106.
Denmerk	(DK)	6.1296	+0.0262	270 - 325	8.1445	6,1062	6.1363	-1.3	£1573	-1.8	6.2348	-1.7	106
Finland	(FM)	5.0336		286 - 386	5.0560	6.0154	5,0336	0.0	5.0411	-0.5	0,1036	-1.4	78.
France	(FFr)	5.3096	+0.0214	077 - 115	5.3285		5.5125	-0.7	5.3188	-0.7	5.2791	ae	106
Germany	(23)	1.5486	+0.006	482 - 490	1.5523	1.5427	1,5488	-0.2	1,5488	-01	1,5448	0.2	167.
Greece	(Or)	235,830	+0.78	580 - 580	236,050	234,850	235.93	-1.5	236,605	-1.7	239,405	-1.8	80.
ireland	600	1,6262	-0.006	253 - 270	1_5331	1,6224	1.5281	0.8	1,5212	1.3	1,4997	1.7	
taly	10	1577.78	49.88	756 - 797	1583.25	1571.25	1682.31	-\$.5	1592.76	-38	1648.76	-4.5	85
Lucembourg	(LFn)	31,9025	+0.0985	880 - 170	31,0900	\$1,8040	21,8275	-0.0	31,9425	-0.6	32,0825	-0.5	106
Notherlanda	750	1.7365	+0.0055	360 - 379	1.7400	1,7299	1.7307	-0.2	1.7388	-0.1	1.7327	0.2	106
Morwey	MIST	6.8133		123 - 143	6,8280	0.7811	6.8153	-04	6.8263	-00	6.7453	1.0	96
Portugal	(Ex)	158,450		300 - 500	158,700	157,860	159.4	-7.2	181,075	-6.6	168.45	-63	85
Spain	Phi	129,150		000 - 240	128,490		128.455	-28	130,065	-2.9	133.08	-2.0	80
Sweden	CSK/1	7.6246		208 - 283	7,8809	7,8050	7.8441	-3.1	7.8846	-3.1	7.2948	-3.5	79
Switzerland	(SFr)	1,2955		951 - 980	1,2998	1,2696	1.2949	0.0	1.2934	0.7	1,2638	0.0	107
ж	63	1,6468		465 - 470	1.5538	1.5443	1,5405	0.2	1.5448	0.5	1,6323	0.9	86
Scar	~	1,2257		282 - 292	1,2326	1.2255	1,2277	1.0	1,2262	1,0	1.217	1,0	· ·
BDR1	_	1.48343	- WILLIAM	202 - 202	1-2320	12235	1,227	1,0	1,2000	1,0	1,217	1,0	
Azperices	_	1,200					_	-		•		•	
Vigeratine.	Pesci	0.0005	+0.0001	994 - 995	0.0004	0.0094							
razi	670	0.8840		830 - 850	0.8850	0.8830		_					
Connecte	(Ct)	1,3696		682 - 687	1.3695	1.3676	1.3891	-0.5	1,3708	-0.7	1.884	-1.1	63
	Penol	3.3085		980 - 010	3.4010	3,3080	3,3995	-04	3.4013	-0.3	3,4067	-0.3	-
ISA AZI	1		-	-	30-010	-	-		240.0	7.5		-0.5	96
actic/Middle	Fant	Mira		-	_			-					Gu
lentralia.	(AS)	1,3450	-0.0049	454 - 463	1,3503	1,3454	1.5462	-0.2	1,3469	-0.2	1.8542	-0.6	87
long Kong	4 100	7,7276		271 - 281		7.7270	7,7274	0.0	7,7281	0.0	7,7431	-0.2	-
racine	Pol	81,3725	40 0025	700 - 750	31,3780		31,4575	-3.3	e1.6025	-2.0	111 101	-	
lepan	m	96.9850		400 - 900	89,2500		98.765	24	98.325	2.8	96.02	3.0	150
felevele	(ME)	2.5543		838 - 548	2,5580		2,5451	4.3	2,5335	32	2,6073	-21	100
lew Zeeland	NZS	1.6483		489 - 496	1.8573		1,8483	-0.7	1.8511	-0.7	1,8564	-0.5	
							1 Delica	-0.7	1.0011	-0.7	1,0004	-0.3	
hilippines	(Pesa)	26,3000		600 - 500	28.5000		3,7615		3.7666		17742	00	
Anthia Anthia		0.7502		498 - 804		5.7489		-0.4		-0.6	1.4899		
Ingepore	(22)	1,4999		994 - 004	1.4999		1,4968	1.1	1,4987	0.9		0.7	
Africa (Com.		3,5853		646 - 660	3.5785	3,5645	3.5808	-52	3,6061	-4.9	3.5858	-3.4	
Affice (Firs.)	F	4.5175		050 - 300	4.5250		4.5512	-2.0	4.61	-82			
South Kores	(Mari)	801.250		200 - 300	801.700		804,25	-45	807.76	-82	826.25	-3.1	
always.	(13)	26,2053	+0.0055		25,2150		26,2253	-09	26.2063	-08			
hallend	(30	24.9700		660 - 750	24,9750	24 0050	25.0425	-3.5	25.17	-32	26.85	-2.7	

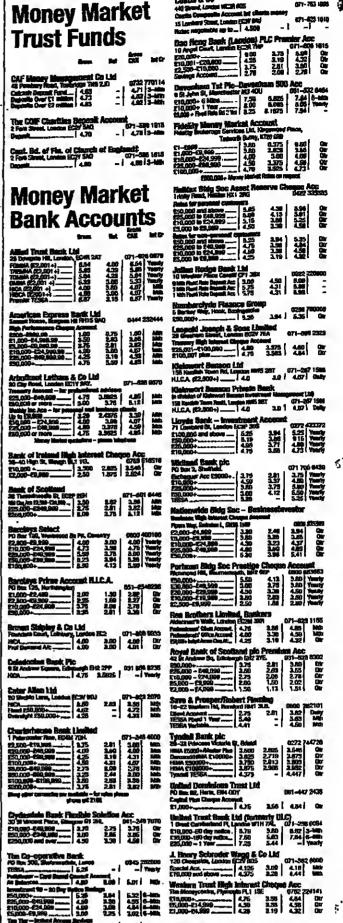
150F rate for Sep 6, Rightfer appears in the Dollar Spot liable show only the lest three decimal pieces. Forward rates are not discriby quoted to the mitual are hapfied by current interest rates. UK, belond & SCU are quoted in US currency, LP, Morgan nowing indicas Sep 5, Superparage 1990-100

UK INTEREST RATES

8ep 7	Esti cen.	Rate against Ecu	Change on day	% +/- from pert rate	% epreed v weekest	Dhy
Nethorlando	2.19672	2.14150	-0.0011	-2.51	6.11	
Belgium	40.2123	39.3585	-0.0063	-2.12	5.88	18
Contractory'	1.94964	1.90941	-0.00087	-2.06	5.82	
implemed	0.808828	0.808588	+0.001923	-0.01	3.45	0
France	8.53883	5.56090	+0.00155	0.18	3.25	-2
Portugal	192.854	196,232	-0.235	1,23	2.18	-5
Dermork	7.43879	7,56030	+0.00203	1.66	1.75	-11
Spain	164.250	159,556	-0.003	3.44	0.00	-24
NON STAM ME	EMBERS					
Greece	264,513	290,573	-0.074	9.85	-5.84	-
	1793.19	1949.24	+7.1 0	8.79	-4.84	-
Charley .		10-0-2-	71.10			
UK Bou central retain Percentage chan	0.785749 set by the Europe are for Box	0.797689 open Commen c a positive cho	-0.001652 ion. Currendes nos denotes e v	1,39 are in descunding reak currency. D	2.02 ng reletivo etron Rvargenco ehor	no the
UK Bou central retain Percentage often radio between te- for a currency, in Bou central reta.	0,786749 is not by the Kur- igne are for Box to appreciate the nd the madical and Referr Lie	0.797689 open Commiss of a positive char percertage diffe or permitted per suppended lice	-0.001652 ion. Cumencise ngo disnotes e v rence between ourtage devistio m ERIM, Adjustn	1,39 are in theocodic reak currency. If the actual marks in of the current ment calculated I	2.02 ng reintive stren Rvargence shor nt end Ecu cent ny's maries site	ny the mil min from i
UK Eou central retain Percentage chan ratio between te- for a currency, a Eou central reta. (17/9/92) Sharing	t) 786749 set by the Europe are for Box to appreciate the rid the mandray pand Raffer Lin PASA SEE EA	0.797689 open Commiss of a positive char percertage diffe or permitted per suppended its	~0.001 652 ion. Currencies ngo denotes e v rence between owntage devisitio m EFMA Adjustn 231,250 (cernit	1.39 are in discouding the school currency. Extremely currency on all the currency c	2.02 ng relative stren Rvergence shore et and Eou cont y'e meries rete by the Phancial PUTS	ns the ind pale from I
Ecu central inter Percentage chan agito between the for a currency, a four obinted rose, (17/9/22) Sharing PHELADIEL Strike	0,786749 is not by the Kur- igne are for Box to appreciate the nd the madical and Referr Lie	0.797689 open Contribut if a positive char percentage differ permitted per suspended lice OPTIGHTS:	-0.001652 ion. Cumencise ngo disnotes e v rence between ourtage devistio m ERIM, Adjustn	1.39 are in discouding the school currency. Extremely currency on all the currency c	2.02 ng relative stren Rvergence shore et and Eou conf gy'e market rete by the Phancial	ny the mil min from i
Ecu central retain Percentago chemicago between the lago between the for a cumory, in Ecu central reta. (17/9/22) Genting	t) 786749 set by the Europe are for Box to appreciate the rid the mandray pand Raffer Lin PASA SEE EA	0.797689 open Comments a positive draw percentage dries percentage dries a suspended less a comment of the comm	~0.001 652 ion. Currencies ngo denotes e v rence between owntage devisitio m EFMA Adjustn 231,250 (cernit	1.39 are in discountries. week currency. E the schall parte in of the currenc ment calculated i s per pound)	2.02 ng relative stren kvergence site kvergence site send Ecu com y'e meries sete by the Phrencial PUTS Oct	ry the rel rate from I
UK Bou owntral inter Percentage character between the for a currency, in East owntral rece. (17/9/22) Sharing PHELADEL Strike Price	0,788749 set by the Europea are for Box or expression the and the madeus and Refer Lie FEEA SEE E/	0.797689 open Comments a positive draw percentage dries percentage dries a suspended less a comment percentage percentage dries a comment percentage percentage dries a comment percentage dries and percentage dries are percentage dries and percentage dries and percentage dries are percentage dries and percentage dries and percentage dries are percentage dries and percentage dries and percentage dries are percentage dries and percentage dries and percentage dries are percentage dries and percentage dries and percentage dries are percentage dries and percentage dries are p	~0.001652 ion. Currencise a remote between countage deviation EHM. Adjustn 231,250 (cernls	1.39 are in descending vest currency. If the actual rearies of the currency of	2.02 ng relative strends Resignate show the end for strends y's market site by the Phrendel PUTS Oct	re the color of from 1
UK Bou ourfrei nebe Personninge chem radio between he for a surroncy, as Eau opinion (17/9/92) Swrling PHELADISE Strice Price 1,480	0.789749 set by the Ear gas are for Box or appredix the not the medicus and Refer Lie and Refer Lie Sep 9.67	0.797689 open Contribut if a positive char percentage differ in permitted per is suspended lice CALLS Oct. 9.57	-0.001652 ion. Currenches ingo denotes e v reroe between perfage deviatio m ERM. Adjustn 231,250 (cernis Nov 9.65	1.39 In theosetic rest currency. Etho scual meteor of the currency and the currency are to currency as per pound) Sep	2.02 10 relative stress Resigned stress and Eau configuration stress and Eau configuration by the Phrencial PUTS Oct 0.02 0.07	Nov 0.05 0.19
UK Eou ouritral interes Purportrago chem ratio between te for a surrousy, e Eou ouritral rece. (17/8/12) Ouritra PHELADIEL Strice Price 1.475	0.788749 s set by the Europea are for the gas are for the on approach the on approach the not the medicus and Refer the period after separate the Sep 9.67 7.18	0.797889 open Commission of the Commission of th	~0.001 552 for. Currenches gro denotes e in remote between owitage deviation ERMA, Adjusten ES1, 250 foerhill Nov. 9.55	1.39 In theosetic rest currency. Etho scual meteor of the currency and the currency are to currency as per pound) Sep	2.02 10 relative stress Resigned stress and Eau configuration stress and Eau configuration by the Phrencial PUTS Oct 0.02 0.07	Nov D.05
UK Sou central retain Percentage char- ratio between to- for a currency, as (17/9/22) Sterling PHE-AUREL Strike Price 1.450 1.450	0.786749 s et by the Europes are by the Europes are brief by the Europes are brief by the Europe by the Europe by the Europe brief by the Europe Brief	0.797899 open Commiss of a positive char percentage differ parmitted per permitted per permitted for	-0.001652 fon. Currendue rigo dimoise e in remoe between owniage devisitio m BRM. Adjustin 231,250 (cernit Nov 9.65 7.26 5.11e	1.39 are in descending the school currency. If the school marks in of the currency control calculated it is per pound) Sep	2.02 2.02 rg printing stren Respence store at end Ecu cent y'e meries site by the Phrencial PUTS Cot 0.02 0.67 1.58 3.25	Nov 0.05 0.19

LOND	ON MO	NEY R	NTES				
Sep 7		Over- night	7 days	One month	Three	Stat months	One One
interbank	Storfing	82-45	5 - 412	54 - 48	512 - 518	6 - 5%	67 - 64
Sherke C	Ds C			54 - 43	513 - 513	54 - 512	813 - B
THEMP		-		412 64	57 · 53		
Bork St				5 - 43	546 - 64	54 - 513	
	hority deps. Market deps	54 - 44	44-44	4提 - 4提	64 - 64	513 · 513	6H - 6H
UK clean	ng bank beso	कार्याम् स्वरं	64 per o	ens from Fei	bruary 8, 19	94	
			Up to 1	1-5	3-6	6-9	9-12
			month	month	तारवार्धिक	months	months
Certs of 1	Tex dep. (£10	0.0003	15	4	34	34	312
period July Sep 1, 196	14 ISC 107						
period July Sep 1, 196	E MONTH	STEPELING.					
Sep 1, 196	ME IMONTH S	Sett price	Change	High	Low	Est. vol	Open int
Sep 1, 196	M MONTH S Open 94.37	Sett price	Change +0.05	High 94.40	Low 94.36	Est. vol 19598	Open int
Sep 1, 196 Sep Dec	Open 94.37 88.48	Sett price 94.39 93.55	#0.05 +0.10	High 94.40 98.57	LOW 94.36 98.47	Est. vol 19506 46323	Open int 87448 161969
Sep 1, 196 Sep Dec Mar	Open 94.37 83.48 82.88	Set price 94.39 93.56 92.72	#0.05 +0.10 +0.05	High 94.40 93.67 92.76	94.36 98.47 92.67	Est. vol 19606 46323 12204	Open int 87448 161969 76282
Sep 1, 196 Sep Dec Mar	Open 94.37 83.48 82.68 82.11	Set price 94.39 93.56 92.72 82.14	#0.05 #0.05 #0.05 #0.05 #0.05	High 94.40 93.67 92.75 92.16	LOW 94.36 98.47	Est. vol 19506 46323	Open #1 87448 101969
Sep 1, 196 Sep Dec Mar	Open 94.37 83.48 82.88	Set price 94.39 93.56 92.72 82.14	#0.05 #0.05 #0.05 #0.05 #0.05	High 94.40 93.67 92.75 92.16	94.36 98.47 92.67	Est. vol 19606 46323 12204	Open int 87448 161969 76282
Sep 1, 194 Sep Dec Mar Jun Traded on	Open 94.37 93.48 92.68 92.11 APT. All Oper	Set price 94.39 93.56 92.72 92.14 1 Interest figs	60.05 +0.10 +0.05 +0.05 +0.05	High 94.40 93.57 92.76 92.18 Vious day.	94.36 98.47 92.67 82.09	Est, vol 19696 46323 12204 5805	Open int 87448 161969 76282
Sep 5, 196 Sep Dec Sep Dec Sep Mar	Open 94.37 83.48 82.68 82.11	Set price 94.39 93.56 92.72 82.74 1 Interest figs	(UFFE) D	High 94.40 93.57 92.76 92.18 Vious day.	94.36 98.47 92.67 82.09	Est. vol 19696 46323 12204 5805	Open int 87448 161969 76282
Sep 1, 196 Sep Dec Marr Lun Traded on	Open 94.37 93.48 92.68 92.11 APT. All Oper	Sett prices 94.39 93.56 92.72 92.74 historic figs	Change +0.05 +0.10 +0.05 +0.05 +0.05 Law for pre-	Hight 94.40 93.57 92.76 92.18 Vious day.	Low 94.36 98.47 92.67 82.09	Est, vol 19696 46323 12204 5805	Open int 87448 161969 76282
Sep 5, 196 Sep Dec Marr Sun Traded on Sprike	Open 94.37 83.48 82.88 82.11 APT. AL Open	STEPRISEG Sett prices 94.39 93.56 92.72 32.14 in internet figur	Change +0.05 +0.10 +0.05 +0.05 are for pre-	Hight 94.40 93.67 92.75 92.16 Vicus day.	94.36 98.47 92.67 82.09	Est. voi 19698 48323 12204 5805	Open Int 87448 161969 78282 54051
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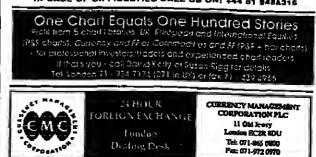




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FINANCIAL TIMES THURSDAY SEPTEMBER 8 1994 EUROPE \$280 -210 11,708 9,000 3.5 11,400 -222 13,508 9,201 4,8 2,129 -5 2,750 13,52 2,4 4,870 -55 1,55 3,561 1,9 28,100 -50 33,502 4,400 1,1 18,900 -50 24,602 17,908 3,5 11,200 +340 16,700 10,350 1,2 +16 2,200 1,750 23 -8 1,270 975 0.8 +1 934 530 1.3 -10 4,200 3,200 0.5 +5 1,713 1,160 1.9 -4 1,367 1,050 0.4 +1 744 558 1.4 -2 1,050 566 2.1 +2 466 409 2.2 -1 1,000 174 2.6 -1 1,000 2,148 980 980 980 1,473 1,276 1,276 1,054 1,054 1,054 1,181 1,559 707 1,181 3,655 Actains 4,350
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3,874,100 2,934,500 2,862,400 2,662,400 2,455,300 2,424,000 2,277,300 1,907,300 1,800,700 1,788,200 Amer Express R.19 Nebleco Lico Amer Barick Gions Compaq Gen Motors Talefonos Pally Motors Fard Motor 30% 6% 15% 22% 19% 35% 62% 63 61 30 2,873 844 1,296 731 49 29

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Second-tier data fail to influence sentiment

Wali Street

US stocks drifted lower yesterday morning as investors looked to a sagging bond market for guidance, writes Frank McGurty in New York.

By 1 pm, the Dow Jones industrial Average was 4.71 easier at 3,893.99, while the more broadly based Standard & Poor's 500 was down 0.30 at

Volume remained light, with 164m shares traded on the Big Board by early afternoon. Many investors were taking the day off in observance of Rosb Hashanan, the Jewish new year. Declining issues led advances by 1,036 to 943.

In the secondary markets, the Nasdaq composite outper-formed other leading indices. climbing 3.70 to 763.18 on the back of a firming trend by technology stocks. But the American SE composite receded 0.64 to 455.36.

The morning brought a smattering of second-tier economic data, none of which had much influence on market sentiment. In a mildly unfavourable development, the Labor Department revised downward its estimate of the decline in second-quarter non-farm productivity to 2.5 per cent, the largest drop since the first three months of 1989. Meanwhile, unit labour costs were revised up to a 3.4 per cent increase, suggesting stronger inflationary pressures.

That news offered bond traders no encouragement to buy abead of Friday's keenly awaited producer price data. As a consequence, the long end

Gold shares shrugged off initial profit-taking in

Johannesburg to climb again as bulllon pushed

towards \$390 an ounce. Turnover had slowed

from Tuesday's higher levels but sentiment

remained positive amid expectations of further

But analysts warned that profits were likely

to be taken on any short term dips in the

gold price strength in the medium term.

of the Treasury yield curve was showing moderate losses by midsession, with many accounts preferring to stay on the sidelines until after the

release of the inflation report. The same trend was evident in stocks. Trading in the Dow industrials was unusually quiet. By early afternoon, none of the index components was showing much movement in either direction. The exception was DuPont, which shed \$1 to \$59 in moderate volume of Im

Elsewbers, Caterpillar dipped \$% to \$55%, Disney appreciated \$% to \$42% and Caterpillar International Business Machines added \$1% to \$68.

The retailing sector showed at least one spark of life. Circuit City Stores, a home elec-tronics chain, jumped \$2 to \$26% after announcing that sales in outlets opened at least a year had risen 16 per cent last year. The company also forecast a 27 per cent surge in net income in its current fiscal

On the negative side, shares in Jones Apparel dropped \$2% to \$22% on 8 downgrading by Merrill Lynch. The company's outlook was clouded by the resignation of its president,

announced a day earlier. Warner-Lambert, the drugs and consumer products marketer, continued to be buffeted by takeover speculation. Yesterday profit-takers prevailed, pushing the share price down \$1 to \$82. Humana, the hospital operator, was marked up \$1%

The technology sector was the liveliest of a lacklustre lot. Stocks across the board were

S Africa golds overcome early profit-taking

showing solid gains, though analysts were unable to link the improvement to any spe-

cific development. On the Nasdaq, Lotus Development jumped \$2% to \$44%, Microsoft climbed \$114 to \$571/4 and Cyrix added \$1% at \$39%.

Toronto slipped at midday on a softening of bond prices and a mild revival of interest rate fears. The TSE 300 composite index fell 19.23 to stand at 4,327.94 at noon in volume of 34.4m shares.

Precious metals gave np early gains which had helped to prop up other sagging sectors, the gold and silver group rising just 1.81 to 10,296.85 after an earlier 10,423,23. Pipelines led other sectors down, falling 39.39, or 1 per cent, to 3,891.32, with Westcoast Energy down C\$% to C\$22 in busy trade.

Mexico

Shares were higher in early trade in a continuation of the technical rebound that began on Tuesday after eight straight losing sessions. The IPC index put on 18.8 at 2,722.87 as the market ignored a third consecutive weekly rise in the bellwether 28 day cetes - or trea-

sury bill - rates. Telmex A shares gained 2.3 per cent and the L shares were 1.1 per cent higher. In New York, the Telmex ADRs were quoted \$% ahead at \$63%.

Among the biggest gainers, Autlan A shares rose 3.7 per cent, Sidek put on 3.2 per cent and Gfnorte was 3.0 per cent

bullion price after the recent hefty gains, which

have seen the golds index rise by more than 200

points since the start of trade last Friday. Golds yesterday climbed 33 to 2,535 and the

overall index added 45 at 6,054. Industrials put

on 18 at 6,680, led again by Iscor, which fin-ished 25 cents higher at a new peak of R4.85.

De Beers was 75 cents firmer at R110.50.

Bonds exert varied influence on bourses

THE EUROPEAN SERIES

Turkey

Source: FT Graphite

1984

picking np L318 to L40,764,

after testing support at L40,000.

issues, Telecom Italia fell 1.35

to L4,370 and Stet gave up L80

commment from the Spanish

economy minister Mr Pedro

Solbes that interest rates were

too high compared with Ger-

many's - at a premium of around 385 basis points - and

that it should be possible to

reduce them in the coming

The domestic bond market

improved and the general

index recovered 3.19 to 298.27.

Turnover was much healthier

at Pta32.5bn, but a big block

trade in Asturiana de Zinc

months

MADRID seemed to like a

100

90

Bond markets had a more varied influence on equities than on Tuesday, writes Our

Markets Staff. FRANKFURT's bond and equity markets responded only fleetingly to a newspaper interview of Mr Hans Jürgen Krupp, a Bundesbank council member, who appeared to be saying that rates could be cut now, allowing Buha room for manceuvre when the time comes to raise them again.

The reaction itself was fairly tepid. The Dax index, which had closed the session down 2.08 at 2.163.82, saw a peak of 2.172.97 in the afternoon but closed the day at an Ibis-indicated 2,167.68, with bonds on their way down again. A little after the equity market ended, the September bund future was back in dangerous territory, below the 90 mark at 89.91 and 15 basis points lower on the day.

Turnover rose from DM4.9bn to DM5.4hm. In the automotive sector, BMW pleased analysts with the news that it will introduce extra working shifts and create additional jobs to meet a high level of demand in the second half of the year. On the session, the shares rose just DM4.50 to DM815 but they improved further to DM817.80

after hours. PARIS moved its bonds up and down, rather more sently 10.1 to 2.662.5.

FT-SE Eurotrack 100 1373.50 1374.65 1371.42 1398.60 1370.06 1370.17 1371.20 1371.13 FT-SE Eurotrack 200 1430.06 1432.70 1430.74 1426.53 1430.82 1431.12 1431.31 1420.33 Aug 31 Sep 5 Sep 2 Sep 8 Sep 1 than their Frankfurt counter

Open 10.30 11,00 12.00 13.00 14.90 15.00 Close

narts, and equities ended flat after early gains of around a percentage point. The CAC-40 index finished 2.75 higher at 1,964.20 in turnover of FFr3.46bn.

FT-SE Actuaries Share indices

Here, some company results had more effect. Promodes, the retailer, rose FFr12 to FFr936 as it saw an increase exceeding 15 per cent in 1994 net Total, the oil company, ended FF13.70 stronger at FF1307.90 on a higher first-half net.

Elf Aquitaine went with Total up FFr4.10 at FFrago partly on a newspaper report that it stood to make FFrl.3hn on the divesting of part of its stakes in the petrochemical engineering companies Technip and Coflexip. Elf had no comment to make.

ZURICH largely overlooked the weak dollar and bond market, foreign demand outweighing profit-taking by local investors as the SMI index climbed

Ciba bearers rose SFr12 to SFr804: Bear Stearns initiated coverage of the major Swiss pharmacentical stocks this week with a buy rating on

Ascom, the troubled telecom munications group dne to release half-year figures today, fell SFr70 to SFr1,510.

MILAN saw a good performance in domestic bond futures, but its equity market was depressed by comments from the treasury minister Mr Lamberto Dini that the country's creaking pensions system faced a higher deficit this year than earlier expected. The Comit index slipped 4.60 to 658.29 in very gulet trading. The mood was also soured by

mestic funds lightening their portfolios, after naws of a L78hn net outflow from investment funds during August raised worries about liquidity. Generali, a potential beneficiary of pension reform, bucked the downward trend,

accounted for about a third of that as 7.07m shares, or 23 per cent of its share capital, went Istanbul Composite Index relative through the market at Ptal,500 to FT-A World Index (\$ terms)

AMSTERDAM took its cue from the latest round of company results as the AEX index firmed 0.89 to 415.17.

Ahold, the retailer, rose F1 1.30 to F1 49.70 in heavy turnover after its better than expected second-quarter figures on Tuesday, and Grolsch, the brewer, gained 80 cents at F1 50.80 after a better than expected first half.

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Tokyo stock market falls well-

Page 13, hours to

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British jots under

Cap Volmac, the computer services group, added Fl 1.20, or 6 per cent, at Fl 21.70 after its upbeat profits forecast. ISTANBUL fell 6.8 per cent

on domestic political worries, the composite index closing 1.769.48 lower at 24,347.98 after one Turkish deputy resigned, and another put in a request to do so, bringing the level of vacant seats to 22 - just one below the level at which mandatory by-elections would be

triggered. Economists and traders worried that any election campaign could force the ruling coalition to water down its tough stabilisation programme, raising subeidies and easing economic policies to win votes.

Written and edited by William

Japan Telecom drop depresses confidence

A plunge in Japan Telecom shares depressed confidence, and the Nikkei 225 average lost 1.8 per cent, writes Emilio Terazono in Tokyo.

The index ended 370.18 down at the day's low of 20,023.80. It pened at the session's best of 20.364.47 and slid as the fall in JT prompted selling of other telecommunications atocks. Buying by public pension and insurance funds supported the index above the 20,000 level, but traders expected a further decline in JT to weigh on prices this week.

Valume rose from 222m to 315m shares. The Topix index of all first section issues fall 27.09, or 1.7 per cent, to the first time since May. The Nikkei 300 retreated 4.72 to 289.15. Losers outnumbered gainers by 1,007 to 59, with 116 issues unchanged. In London the ISE/Nikkei 50 index was off

investors were also refrain-ing from trading ahead of the futures and options settlements on Friday, while worries over US-Japan framework talks on trade and its effects on the currency market also weighed on confidence.

On the second section, JT dropped Y220,000, or 4.7 per cent, to Y4.43m. Traders said the atock, now 5.7 per cent lower than its public offer price, was considered too

expensive.
Telecommunications linked shares, bought by dealers and individuals ahead of the JT listing, were dragged down. DDI dipped Y45,000 to Y903,000 and Nippon Telegraph and Telephone Y10,000 to Y883,000. East Japan Railway, a priva-tised stock and a shareholder of JT, receded Y8,000 to

Y505,000 on foreign selling. Arbitrage unwinding linked to the Topix index depressed banks, which are heavily weighted in the average. Sumi-tomo Bank declined Y50 to Y1,840 and Mitsubishi Bank Y60 to Y2,440.

Steels lost ground in busy trading. Nippon Steel, the most

active issue of the day, slipped

Y5 to Y367. High-technology issues were lower on profit-taking. Sony lost Y100 at Y5,850 and NEC Y10 at Y1,200. Automakers also

declined, with Nissan Motor closing Y23 dewn at Y739. In Osaka, the OSE average weakened 335.67 to 22,299.62 in volume of 85.7m shares.

Roundup

Company news moved shares. and markets, around the Pacific Rim.
HONG KONG noted active

switching from expensive blue chips to second liners, particularly China-owned stocks, for the second day in a row, but continued fund buying still

took the Hang Seng index up 129.90, or 1.3 per cent, to 10,165.87, in turnover more than doubled at HK\$7.7bm.

The H share index soared 51 points, or 3.6 per cent, to 1,450.49. Meanwhile, the Chinabacked vitamin C maker China Pharmaceutical rose 11 cents, or 10.7 per cent, to a year's high of HK\$1.135 in late trade as analysts said rotational buying of China-linked laggards had boosted demand for the stock.

TAIPEI was lifted by last minute, heavy buying in financials which took the weighted index up 65.46 to 6.896.93, as turnover increased from

T\$57bn to T\$77.8bn. Speculative buying focused

on the Big Three banks before

scheduled for October, Hua Nan soaring by the daily 7 per cent limit to T\$205. KARACHI saw buying of

their shareholders' meetings

cement stocks by overseas investors on the new account day, and the KSE 100 index advanced 10,35 to 2,186.18. COLOMBO closed higher for

the fourth day in a row and, in spite of profit-taking, the all-share index moved ahead 15.61 MANILA tumbled at the

close as Petron, the oil refiner making its debut on the Phili-pine Stock Exchange, drew investors away from declining blue chips. The composite index shed 46.16 to 3,040.32. Patron hit a high of 22.75

pesos before finishing at 21.25

Because of the Petron euphoria the index heavyweight PLDT slid by 4 per cent to 1,655 KUALA LUMPUR absorbed a

offer price of 9 pesos a share.

sharp fall in its big utility Telekom Malaysia as the KLSE index reversed an early gain to finish 9.09 down at 1,163.15, after a high of 1.181.90. Telekom fell 80 cents to

M\$21.60 while Tenaga dropped 30 cents to M314.40. SHANGHAI and Shenzhen's A shares fell back after their recent rocket-powered climb, with respective falls of 78.94, or 7.6 per cent, to 962.68 and 16.94, or 7.3 per cent, to 214.33; but the B shares indices rose by 0.9 and 2.3 per cent respectively.

This autouncement appears as a matter of record only

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winterthur

has entered into an agreement to acquire a controlling interest in

DBV Holding AG



The undersigned initiated this transaction and acted as financial adviser to Winterthur



CS FIRST BOSTON

July 1994

	MERGING	MARKETS:	IFC WEE	KLY INVES	TABLE PRIC	E INDICE	5
			Dollar terms	7.7	L	ocal currency	terrie
Market	No. of stocks	September 2 1994	% Change over week	% Change on Dec '93	September 2 1994	% Change over week	% Change on Dec '83
Latin Americ	a (209)	748.83	+0.2	+15.1			
Argentina	(25)	947.87	+2.8	-2.0	538.081.13	+2.6	-2.0
Brazil	(57)	416.31	+3.2	+78.9	1,380,182,959	+3.0	+1,258.2
Chile	(25)	718.97	-0.4	+29.8	1.199.53	-0.6	+25.8
Colombia ¹	(11)	942.86	+13.8	+46.2	1,362,79	+13.7	+47.0
Mexico	(68)	956.86	-3.2	-4.9	1.394.03	-3.3	+3.8
Peru	(11)	152.48	+3.8	+26.1	208.86	+4.7	+31.5
Venezuela ³	(12)	557.05	+3.7	-6.9	2,178,97	+3.7	+53.2
Asla	(557)	281.21	+3.2	-3.4	_,		
China*	ตย	106.36	+4.1	-28.7	115.00	43.B	-29.8
South Korea®	(156)	131,75	-0.2	+11.5	138.81	-0.4	+10.4
Philippines	(18)	315.70	-O.A	-7.3	399.12	-0.2	-10.1
Towar, China		159.05	+2.1	+17.6	156.74	+1.5	+17.2
India"	(76)	142.84	+2.7	+22.8	158.01	+2.7	+22.7
Indonesia*	(37)	111.65	+22	-10.4	131.64	+27	-7.5
Malaysta	(105)	314.87	+3.7	-7.2	296.06	+3.7	-12.1
Pakistan ^o	(15)	389.94	-1.B	+0.5	540.64	-1.0	+2.4
Sri Lanka®	(5)	187.48	+1.5	+5.8	207.58	+21	+5.6
Thailand	(55)	444.35	+6.8	-7.0	441.79	+7.0	-8.6
Euro/Mid Ea	st (125)	122.08	-1.8	-27.8			
Greece	(25)	222.46	+1.5	-2.3	356.38	+0.4	-7.3
Hungary"	(5)	190.51	-3.4	+14.3	250.52	-2.2	+24.1
Jordan	(13)	156.35	-3.2	-5.8	225.13	-2.5	-6.0
PolandE	(12)	663.01	-8.8	-18.9	968.54	-7.7	-123
Pertugal	(25)	128.40	+3.1	+12.8	140.18	+1.9	+1.5
Turkey.49	(40)	120.95	-4.6	-43.1	1,918,30	-1.5	+31.9
Zumbabwe*	(5)	265.03	+1.8	+31.1	317.93	+2.4	+48.8
Composite	(891)	366.45	+1.4	+3.0			

to shun the market.

Warsaw's Wig index, already down by 55 per cent from its peak in March, has been

under pressure again this week as foreign and local investors found their own reasons

to shun the market. Foreign Investors have been keeping a wary eye on the growing row over the independent role of the central bank, while local investors have been sidetracked by a heavy calendar of new issues and privatisation offers, which will culminate with the sale of the large state-owned Bank Przemyslowo-Handlowy, probably in December. However, Mr Stephen Pettyfer at Smith New Court believes that some respite could be at hand. He notes that next week should bring the resolution of Poland's bank debt restructuring with its London Club creditors, while restrictions on foreign purchases of shares in a number of strategically important companies should also be lifted. In addition, the local market will be receiving refunds after the oversubscribed privatisation of Stalexport, the foreign trade enterprise. Smith expects the Wig index to trade between its current level, of 9,274 points, and 13,500 points until the end of the year.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Local Currency Index 7-866 Index Index

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